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Preface and Overview

Welcoming Remarks  
Mr. Tom K. Alweendo

Keynote Address  
Right Honourable Prime Minister, Mr. Nahas Angula

Overview of Broad-Based Economic Empowerment in Namibia  
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Overview of Broad-Based Economic Empowerment:  
The Experience of Malaysia  
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Comments On "Strategies to Promote  
Broad-Based Economic Empowerment in Namibia"  
Mr. E Hoveka

Conclusions and Issues Emanating from the Symposium  
Research Department, Bank of Namibia

***"BROAD-BASED ECONOMIC EMPOWERMENT:  
EXPERIENCE FROM OTHER DEVELOPING COUNTRIES"***

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**BROAD-BASED ECONOMIC EMPOWERMENT:  
EXPERIENCE FROM OTHER DEVELOPING COUNTRIES**

**Edited by the Research Department**

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## PREFACE AND OVERVIEW

### PREFACE

The 9<sup>th</sup> annual symposium of the Bank of Namibia was held on the 20<sup>th</sup> September 2007 at the Windhoek Country Club Resort and Casino. The theme of the symposium was “Broad-based economic empowerment: experience from other developing countries”. Following Namibia’s independence in 1990, numerous efforts were undertaken by both the government and the private sector in order to redress the inequities created by the apartheid regime.

These efforts started with the Affirmative Action Act (AAA) which is aimed at making the workplace reflective of the social and demographic profile of the country. In addition, there have also been efforts to further the AAA into Black Economic Empowerment (BEE). The latter is intended at redressing imbalances in the economy by seeking to substantially and equitably transfer and confer the ownership, management, and control of Namibia’s financial and economic resources to the majority of its citizens. This is meant to meaningfully reflect the demographics of the country.

In this regard, some equity partnership agreements have already been concluded in the financial sector, mining, tourism and the energy sectors. It is, however, of great concern that BEE in Namibia is undertaken by individual institutions under a legal vacuum. Consequently, there has been constant complains as to the criteria used for identifying the various partners in BEE partnership, whenever a BEE deal has been signed. This could be attributed to the absence of legislation or a policy on BEE in Namibia.

It is however, encouraging to note that Namibia is currently in the process of preparing its own Broad Based Economic Empowerment policy, known as the “**Transformational Economic and Social Empowerment Framework (TESEF)**”. The symposium aimed therefore, at reviewing and document lessons from other developing countries especially South Africa and Malaysia which have implemented the Broad Based Economic Empowerment. The experiences from other developing countries would thus better inform Namibia’s endeavor in coming up with its own Broad Based Economic Empowerment policy. The event was addressed by three speakers; Dr. John Steytler, Director of Research at Bank of Namibia, Dr. Just Faaland a Senior Consultant at Christian Michelsen Institute in Norway and Professor Roger Southall, an Honorary Research Professor at Sociology of Work Programme at the University of the Witwatersrand.

## OVERVIEW

Both the welcoming remarks and the key note address of the Governor of the Bank of Namibia, Mr. Tom Alweendo and the Honourable Prime Minister Nahas Angula respectively, emphasized the importance of the broad-based economic empowerment in Namibia. They underlined a number of initiatives on BEE introduced by the government and private sectors. These initiatives were aimed at addressing the social and economic inequalities that came about as legacies of racial discrimination under the apartheid regime. The Prime Minister further outlined the objectives and pillars of the Transformational Economic and Social Empowerment Framework (TESEF). This framework would not only be about empowerment, but also about transformation both on economic and social settings.

The first symposium paper titled “overview of broad-based economic empowerment in Namibia” was presented by Dr. John Steytler. The paper pointed out that despite the absence of a broad-based economic empowerment framework in Namibia, there are several initiatives that include aspects of broad-based economic empowerment that have been brought forward both by public and private sectors. These include the expected Transformation for Economic and Social Empowerment Framework (TESEF) by the government and industry specific charters launched by private sectors. These initiatives are aimed at transformation, however, the challenges lies in the determination whether they are narrow- or broad-based.

Dr. Just Faaland presented the second paper titled “broad-based economic empowerment: the experience of Malaysia” The paper highlighted the objectives of the New Economic Policy in Malaysia, which were the eradication of poverty for all Malaysians irrespective of race and the correction of the racial economic imbalances in terms of income, employment and wealth. In order to achieve this certain actions were required. These actions included the involvement of various government agencies and institutions. The National Economic Policy was consistent with and conducive to a high rate of economic growth, active full employment policy and programmes of education and training. The lessons that Namibia could draw from Malaysia is that the Malaysian experience can only be relevant if assessed in the context of Namibia special situations. Furthermore, instruments of policy as designed and implemented needs to be continuously evaluated and redesigned.

Dr Faaland’s paper was discussed by Ms. Penny Akwenye, the General Manager of Special Development Fund at the Development Bank of Namibia. In her discussion,

she pointed out that the paper was clear and made significant contribution to the debate on empowerment policy for Namibia. She further highlighted that for Namibia to emulate other experiences, she needs drive, work ethics, enforced legislation to reach the right target and lastly commitments from both government and private sector.

The last paper titled “strategies to promote broad-based economic empowerment in Namibia” was presented by Prof. Roger Southall. The presenter underlined the importance of the BEE policy in South Africa, that it has been historically necessary to overcome the legacy of internal decolonization in the country. However, he argued that the strategy is not without costs and constraints. The major constraint was the formation of the strategy capable of dealing concurrently with the problems of growth and redistribution.

In his presentation Prof. Southall further pointed out that Namibia could learn from the South African experience, particularly by recognising that BEE is a political project, such that there is no universally accepted definition of the concept. Secondly, it involves the setting of various targets, with timeframes attached which entail monitoring and evaluation and thus revision. The third lesson is the importance of government negotiating predominantly with relevant stakeholders, such as the private sector and organized labour unions. In addition, the policy is a work in progress that requires adjustments as needs arises.

The discussion on the paper was presented by Mr. Erastus Hoveka, the Deputy Managing Director of Nedbank Namibia. He commented the author for a well-researched paper that provides interesting insights and lessons from South Africa’s experience. He agreed with the author on the challenge that Namibia faces in defining the BEE policy.

The discussion paper highlighted that a thorough evaluation of South Africa’s BEE performance against its intended objectives could have benefited the paper. In addition, the paper failed to point out how the BEE deals has been financed in South Africa. Furthermore, he cited that BEE should not be seen as an end in itself but as a means to an end, the end being the creation of a more equitable society, employment opportunities and addressing the problems of poverty and income distribution. Another relevant policy issue that he raised is entrepreneurship that is an important feature in economic transformation. He cited that entrepreneurship is a critical factor in successful economic transformation and that Namibia has limited experience and success with regards to entrepreneurship. He further went on to say



that this problem is not only peculiar to Namibia but also to Sub-Saharan Africa to a significant extent. There is therefore a need to find out why the survival rate for black owned businesses is low as compared to White and Asian businesses.

**WELCOMING REMARKS BY MR. TOM K. ALWEENDO  
GOVERNOR OF THE BANK OF NAMIBIA**

**Director of Ceremonies**

**The Right Honourable Prime Minister, Mr. Nahas Angula**

**Board Members of the Bank of Namibia**

**Honourable Members of Parliament**

**Members of the diplomatic corps**

**Eminent speakers and discussants**

**Members of the Media**

**Distinguished guests**

**Ladies and Gentlemen**

It is with great honour that I am welcoming you all to this ninth in the series of Bank of Namibia Annual Symposia. First of all, allow me to express my gratitude and appreciation to all our invited guests and discussants for having availed time to be with us today at this occasion. The Bank of Namibia hosts this annual event in the belief that it will provide a platform to exchange ideas on thematic and contemporary issues. We also wish to, through this platform, stimulate debate on policy options and to influence policy making and developments in Namibia.

This year's symposium theme is focusing on broad-based economic empowerment, with particular reference to experience of other countries. Considering the occasional announcements of BEE deals in Namibia and the keen interest shown by those already empowered and those still to be empowered, I believe our symposium today gives us time to take stock. Our stocktaking exercise will allow us to reflect upon the experience of other countries, the progress, or lack of it, we have made on economic and social empowerment.

The choice of this theme has been influenced by the current ongoing policy dialogue in Namibia regarding the formulation and implementation of its own inclusive "Broad-Based Economic Empowerment Framework". This initiative intends to integrate the

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previously disadvantaged communities into the economic mainstream in order to uplift their standard of living.

Although currently Namibia is classified as a low-middle income country, income inequality is still abnormally high and poverty remains widespread. The latest National Household Income and Expenditure Survey by the National Planning Commission revealed that Namibia's Gini Coefficient, as a measurement of income distribution, is 0.6. This places Namibia among the countries with the highest income inequality in the world.

To date, Namibia does not have a formal broad-based economic empowerment framework. However, several initiatives that include aspects of broad-based economic empowerment have been brought forward by both the private sector and Government. In general, the Government has embarked upon a number of initiatives to redress social and economic inequalities that came about as a result of the legacies of racial discrimination. These efforts started with the promulgation of the Affirmative Action Act in 1998, which aimed at achieving equity and equality at the workplace and making the workplace reflective of the social profile of the country.

In addition, there have also been efforts to broaden the scope of affirmative action by focusing on issues that go beyond the workplace through black economic empowerment (BEE). The latter approach is intended at redressing imbalances by seeking to substantially and equitably transfer and confer ownership, management, control and development of Namibia's financial and economic resources to the majority of its citizens. This is meant to meaningfully reflect the demographic profiles of the country in the economic decision-making process.

Currently, the Office of the Prime Minister is spearheading the national consultation to draft a Transformation for Economic and Social Empowerment Framework (TESEF) which, amongst others, would be aimed at addressing the issue of broad-based economic empowerment. The private sector, on the other hand, launched industry specific charters aimed at transformation, such as in the finance, mining and tourism sectors. In this regard, the proposed transformation for economic and social empowerment framework being developed by the Office of the Prime Minister and similar initiatives by private sector are laudable and timely developments.

In pursuing the empowerment of the previously disadvantaged Namibians, we should also be mindful not to create negative incentives that have the potential to stifle creativity and wealth-creation in the process. In the long-run, black economic empowerment can only be successful in an environment where the economy

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continues to grow. Should we concentrate too much on re-distributing the existing wealth and fail to be more resolute in creating more wealth, the success of such an empowerment policy will undeniably be short-lived. It is therefore essential that the empowerment process must be accompanied by specific measures to equip the previously disadvantaged Namibians with the necessary entrepreneurial spirit and the self-confidence that inspires courage to take calculated risks in creating more wealth.

The key challenge is therefore to devise an economic transformation agenda that is broad in its concept and focus. In this regard, a narrow-based empowerment agenda is generally restricted to ownership and control of private formal businesses, while a broad-based empowerment agenda demands a meaningful participation in economic activities by those that are being empowered. A broad-based agenda will therefore need to have components such as skills development, education, black small-scale enterprise growth, procurement and employment.

This year's symposium is expected to review and document lessons from other developing countries, especially South Africa and Malaysia that have implemented similar empowerment interventions. In addition, the Bank of Namibia, as host of the Symposium, has prepared a background paper on the overview of black economic empowerment initiatives in Namibia, in order to set the scene for today's discussion. I should also acknowledge that the Institute for Public Policy Research (IPPR) has just released a comprehensive and authoritative report on the same subject matter, and I hope that the authors are present here to contribute to our discussions.

We are privileged to have two experienced international guest speakers on broad-based economic empowerment. The first is Dr. Just Faaland from the Christian Michelsen Institute, in Norway, and the second is Prof. Roger Southall from the University of the Witwatersrand in South Africa. We also have three eminent local speakers who are knowledgeable on the subject matter. These are Ms Penny Akwenye, who is currently the General Manager at the Development Bank of Namibia, Mr. Erastus Hoveka, Deputy Managing Director at NedBank, and Dr. John Steytler, Director of Research at the Bank of Namibia. To all invited guests, I would like to sincerely thank you for honouring our invitation for this very important event.

Once again, ladies and gentlemen, I welcome you all to this year's symposium and I hope that the deliberations will be rewarding as they are expected to be.

I thank you.

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**KEYNOTE ADDRESS BY THE  
RIGHT HONOURABLE PRIME MINISTER,  
MR. NAHAS ANGULA**

**Director of Ceremonies**

**Mr. Tom Alweendo, the Governor of the Bank of Namibia**

**Honourable Members of Parliament**

**Distinguished Members of the Diplomatic Corps**

**Eminent Speakers and discussants**

**Members of the Media**

**Other distinguished and Invited Guests**

**Ladies and Gentlemen**

I am truly delighted to address you on this very important occasion and to officially open the 9<sup>th</sup> Annual Symposium of the Bank of Namibia.

My role is to present Government's perspective on "***Broad-based Economic Empowerment in Namibia***". As the Governor has indicated, the three main speakers will provide us later with an overview on the subject of broad-based economic empowerment in Namibia as well as lessons that we could draw from other countries' experiences such as Malaysia and South Africa which have introduced the broad-based economic empowerment (BBEE) concept. What hopefully also emanate from those discussions are the strategies that Namibia could adopt based on these experiences.

The Government of the Republic of Namibia introduced a number of initiatives to address the social and economic inequalities that came about as a result of the legacies of racial discrimination under the apartheid regime. Some of these initiatives to empower previously disadvantaged Namibians include the provision of fishing quotas, loans and educational investments targeting previously disadvantaged Namibians. The hangover of apartheid can also be seen in Namibia's income distribution, with a Gini coefficient of 0.6, which is among the highest in the world. The initiatives that I mentioned earlier were pioneered to bring the previously

disadvantaged communities into the economic mainstream and uplift their standard of living, since socio-economic disparities along ethnic, gender and regional lines remain a daunting challenge.

Ladies and gentlemen, recently the debate on BBEE has resurfaced as one of the policy interventions to address and redress the inequalities of the past. To come up with a clear strategy on BBEE, it is important to understand what exactly is meant when we talk about broad-based economic empowerment, particularly within the Namibian context. Suffice to say that in Namibia there is no common understanding about what broad-based empowerment constitutes. The business community may consider economic viability when engaging in BEE deals, whilst others would argue that if only economic viability is considered it can never be broad based and inclusive of all. As such, ladies and gentlemen, I sincerely trust that the annual symposium will enhance the understanding of the BBEE concept in Namibia.

In spite of the lack of legislation that regulates BBEE in Namibia, a broad range of policies and institutions were put in place to guide socio-economic transformation in Namibia. In addition to the Namibian Constitution, there are various regulatory frameworks or initiatives aimed at transformation or empowerment of previously disadvantaged Namibians. These include formal initiatives by government such as the Affirmative Action Act; the Land Reform Policy; Namibianization of the fishing sector; and the affirmative action loan scheme of the Agricultural Bank of Namibia. Other Government initiatives would also include national development plans such as the Medium Term Expenditure Frameworks, NDPs and Vision 2030 which envisage improving the quality of life of our people to the level of their counterparts in the developed world by the year 2030.

I do, however, acknowledge various BEE initiatives that are purely voluntary. Here one can cite the progress that the financial industry has made since independence to transform financial institutions from a virtual “white man’s foreign league” to an industry that is much more sensitive to national needs and circumstances. Although I do recognise some progress in this regard, the financial industry, in particular, has a long way to go to be considered truly Namibian.

Ladies and gentlemen, I am glad to announce that this symposium is taking place on the eve of the completion of the first draft of the Transformational Economic and Social Empowerment Framework, or TESEF in short. Some equity partnership agreements have already been concluded in the financial sector, mining, tourism and the energy sectors. It is nevertheless of great concern that these BEE transactions

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in Namibia are undertaken by individual institutions without guiding principles as to how best it could be done. Consequently there have been constant complaints as to the criteria for identifying the various partners in BEE partnerships, whenever a BEE agreement has been signed. This could be attributed to the absence of an official BEE framework in Namibia. To this effect the Cabinet created an ad-hoc Committee chaired by my office to oversee the design of the framework and strategy for socio-economic transformation. TESEF would not only be about empowerment but also about transformation - both economic and social - with strong emphasis on the starting up of new business and supporting structures to sustain those businesses.

Allow me, ladies and gentleman to briefly outline this framework. The goals of TESEF amongst others include the following:

- The development of the framework for the empowerment of previously disadvantaged Namibians on the principles of social justice, economic growth and transformation;
- The design of an empowerment framework which is inclusive, transparent and sustainable;
- The initiation of various vehicles for empowerment;
- The identification of barriers to participation, control and ownership of economic assets by previously disadvantaged Namibians;
- The design and implementation of systems to prevent negative tendencies of cronyism, window dressing, favouritism and patronage;
- The identification of codes of good conduct by industry for empowerment purposes; and
- The implementation of mechanisms for monitoring, regulating and reporting on the transformational impact of the empowerment framework.

The TESEF will further identify achievable and measurable objectives by answering the following questions:

- Who should be empowered through a particular empowerment mechanism?
- How could empowerment strategies promote economic growth?
- How could empowerment sectoral charters be developed?

- What will be the financial mechanisms to fund empowerment frameworks?
- What will be the time horizons to achieve certain empowerment goals?
- What measures should be put in place to prevent empowerment deals being turned into self enrichment deals?
- What measures will ensure wide participation by the people? and
- How would various codes of good conduct be valued for various sectors?

TESEF will be more outcome-based and is built on several pillars, such as:

- ownership/entrepreneurship development,
- equity participation,
- management control,
- employment equity,
- human and skills development,
- preferential procurement,
- support to SME's,
- socio-economic development/corporate social investment, and
- business mentorship.

TESEF is aimed at building on the long-term success of enterprises. Its objective is the empowerment of previously disadvantaged Namibians through social justice, economic growth and transformation. The framework is a transformation of “economical and social sectors by, among others, increasing access to financial services and local ownership, improving affordability, offering better procurement for SMEs and strengthening development”. The framework is expected to be completed in April 2008.

Ladies and gentlemen, the nation should not understand BBEE as a tool to receive handouts, but should rather focus on making people believe in self-efficacy. BBEE should not be about entering into partnerships and holding shares but to be able to



create new businesses, to enter into different sectors and to create opportunities such as employment. On the other hand, the question that remains is whether there are necessary supporting structures in place for starting new businesses. Empowerment should make people aware of their own capabilities and inventions. BBEE should, therefore, be aimed at increasing access to productive assets, whilst concurrently ensuring the productivity of those assets. Empowerment is also not about entitlement, thus it should be based on hard work, efforts and commitment.

Moreover, ladies and gentlemen, empowerment should not be about window-dressing, but it should be a partnership based on risk-sharing, trust, common interest and the desire to succeed. Finally, empowerment should not be self-enrichment; people should see empowerment as creating an enabling environment for businesses to grow. In implementing BBEE, provision should be made for training of people on how to start up a new business, developing and mentoring the business owners and the final stage should focus on equity participation. Having said that, you would agree with me that Namibia still has a long way to go to be able to claim meaningful success in having empowered its nation economically and socially.

I sincerely hope that at the end of this symposium our understanding of broad-based economic empowerment will be enhanced such that both the beneficiaries as well as those that empower will have a proper understanding of it.

In conclusion, Ladies and Gentlemen, it is now my honour and privilege to declare the ninth Annual Symposium of the Bank of Namibia officially open.

I thank you!

## **OVERVIEW OF BROAD-BASED ECONOMIC EMPOWERMENT IN NAMIBIA**

BY

**FLORIS FLEERMUYS, FLORETTE NAKUSERA, FENNI SHANGULA AND  
JOHN STEYTLER<sup>1</sup>**

**RESEARCH DEPARTMENT  
BANK OF NAMIBIA**

### **Abstract**

*Although no Broad-based empowerment framework is established, several initiatives that include aspects of Broad-based Economic Empowerment have been brought forward by both the private sector and the government. These initiatives were introduced to bring the previously disadvantaged communities in the economic mainstream and uplift their standard of living, since socio-economic disparities along ethnic, gender and regional lines remain a challenge. One such initiative from the government is the much anticipated Transformation for Economic and Social Empowerment Framework (TESEF).*

*The private sector on the other hand launched industry specific charters aimed at transformation. A key challenge however, for these transformation agendas to go forward is to determine whether they are narrow-based or broad-based. Current perceptions are that transformation has been rather narrow-based leading to the formation of a "few elites" in society. It is nevertheless, important for transformation to be broad-based, so that it can foster deeper social cohesion necessary for accelerated and sustained economic growth. Adequate investment in human capital is needed as well as a supportive environment for private enterprise and entrepreneurship to flourish, including thorough access to start up capital and supportive services. Broad-based Economic Empowerment should however be overseen and tied to a specific timeframe for implementation.*

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<sup>1</sup> The authors would like to acknowledge the assistance of Helvi Phillipus and Lourencia Hamauka with the conduct of the public opinion survey. They are also indebted to colleagues of the Research Department for useful comments given. Remaining errors are solely the responsibility of the authors.

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## **1. Introduction and background**

Since independence 17 years ago, the Namibian government has embarked upon a number of initiatives to redress social and economic inequalities that came about as a result of the legacies of racial discrimination under apartheid. Black Namibians, a generic term which refers to all non-whites, were left on the fringes of economic activity, having little or no skills as a result of the social, economic and educational policies of the government of the day.

Economic transformation has been pursued mainly through the implementation of national development plans (NDPs) and the national budgetary framework. Nine years ago the Government launched Vision 2030 which envisages “to improve the quality of life of our people to the level of their counterparts in (the) developed world by the year 2030” (Statement to the Cabinet by Dr. Sam Nujoma, January 1998). Underpinned by generally prudent fiscal policies, a stable political environment, fairly developed infrastructure and a strong legal and regulatory environment, Namibia has experienced steady growth, moderate inflation, strong external surpluses and low indebtedness over the past several years.

Economic growth since independence has been respectable, albeit somewhat volatile, and sufficient to increase per capita income in most years. According to the World Bank (2007), this generally good growth and macroeconomic picture is, however, overshadowed by three worrying and related features: the lingering levels of poverty; high unemployment; and the country’s unequal distribution of wealth and income. The World Bank further notes, that while poverty has declined since independence, it remains high at 27 percent. Unemployment, at over a third of the labour force, is especially prevalent among those with little or no skills, and is a major cause of poverty. The overhang of apartheid is also seen in Namibia’s income distribution, with a Gini coefficient of 0.6 which is among the highest in the world.

The World Bank further notes that Namibia has made great progress in addressing some of the structural problems resulting from the dual economy it inherited at independence. Access to basic education has become more equitable and primary health care coverage is more widespread. Namibia’s commitment to its people is evident in the fact that it is among the top 10 countries worldwide with a share of GDP spent on education. It is second only to South Africa on the continent in per capita expenditures on health. Other notable progress include: significant reduction in the infant mortality rate between 1990 and 2005; improved access to safe water

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and sanitation; and programs to protect the country's environment and natural resources.

Namibia is also one of very few countries in Sub-Saharan Africa that maintains a social safety net for the elderly, the disabled, war veterans, orphans and vulnerable children, and has a Social Security Act that provides for maternity leave, sick leave, and medical benefits. Despite these advances, Namibia's human development indices place it 125<sup>th</sup> out of 177 countries surveyed in the 2006 Human Development Report. Further, although Namibia is on track to meet some of the Millennium Development Goals (MDGs), it will be challenged to meet poverty, education, and health, especially HIV/AIDS goals.

Recently the debate on Broad-based Economic Empowerment (BBEE) has resurfaced as one of the policy interventions to address the legacies of the past. Some critical elements of the debate include: what is exactly meant with the concept BBEE; who are the main beneficiaries of BBEE; what the intended objectives of empowerment are; and what should be the scope and nature of empowerment. Against the above backdrop, the paper attempts to present an overview of BBEE in Namibia since independence.

The paper utilised an opinion survey which was administered to gather the public's perception about BBEE in Namibia. It therefore sought the public's understanding of BBEE and the perceived challenges facing the BBEE process. The public opinion survey was augmented with a company survey which was mainly aimed at gathering views of companies involved in BEE transactions. This survey was conducted through telephonic interviews and electronic communication with the respective companies, nevertheless due to the sensitivity of this information it was categorized on a sectoral basis. Furthermore, the paper also completed a case study on Old Mutual Namibia, which is one of the most comprehensive deals in BEE.

The remainder of the paper is structured as follows: Section 2 deals with definitions; Section 3 presents a poverty profile of Namibia; Section 4 reviews the legal and regulatory framework of broad-based empowerment in Namibia; Section 5 attempts to give an update of the status of empowerment in Namibia; Section 6 presents the results of a Windhoek based survey about the public's opinion on broad-based empowerment; and Section 7 concludes.

## 2. Why Broad-based Economic Empowerment?

To come up with a clear strategy on Broad-based Economic Empowerment, it would be important to define what exactly is meant by the concept Broad-based Economic Empowerment, in particular in the Namibian context. A related question is the interrelationship between broad based empowerment and economic sustainability of business projects. It is argued that some business projects, by nature can never be broad-based as it would undermine the economic viability. This raises the issue of corporate social responsibility, which some, however, argue should not be seen as a substitute for broad-based empowerment. It would suffice to say that in Namibia there is no common understanding about what broad-based empowerment constitutes. Although, there is currently no specific legal framework that guides the implementation of Broad-based Economic Empowerment, there have been a number of empowerment deals announced in the local media (these are being elaborated upon in more detail in chapter 5 of this paper). A main criticism of these deals has been that they are not broad-based enough and that they benefited only a few elite. Nevertheless, the question still remains what should be the characteristics of a good Broad-based Economic Empowerment strategy.

Since 1994, South Africa has enacted legislations as well as policies and programs such as Black Economic Empowerment to redress inequalities that were created by apartheid. However the majority of South Africans were not economically empowered and did not meaningfully participate in their economy. Although much has been achieved, it was identified that a coherent and focused strategy for broad-based black economy empowerment is needed (Strategy guide on Black Economic Empowerment).

Commentators in South Africa typically distinguish between narrow and broad definitions when they talk about “Black Economic Empowerment” (Ponte, et al.: 2006). In this connection, narrow definitions are generally restricted to ownership and control of private formal business, while broad definitions extend to a meaningful participation in economic activity, and hence cover skills development, education, black small enterprise growth, procurement and employment.

A review of recently launched charters in Namibia such as the mining and tourism charter, and the soon to be launched financial sector charter seem to embrace the concept of broad-based empowerment. The same is also emphasized by the proposed transformation of economic and social empowerment framework (TESEF)

of the office of the Prime Minister. Moreover, national development plans, including Vision 2030 underscores the importance of broad-based empowerment through transformation.

One might ask the question why it is important to distinguish between broad-based and narrow-based economic empowerment. Perhaps a more fundamental question is why the strategy of Broad-based Economic Empowerment would be able to successfully address social disparities of the past. Related to this is the question of how it would be done. Some critics of broad-based empowerment are of the view that this strategy to redress imbalances of the past won't succeed, because inherently capital and entrepreneurship does not distinguish between colour lines. In fact, they argue, that one of the unintended consequences of Broad-based Economic Empowerment might be a further stifling of the entrepreneurial spirit amongst previously disadvantaged people.

Others argue that economic empowerment can never be broad-based, as entrepreneurs are always the minority in a capitalist economic system. They argue that there is no economic theory that can explain how broad-based empowerment would positively affect economic variables such as increased national output and that empowerment would only lead to negative rent seeking. Their solution to the problem is to make the playing ground level, through training and access to capital.

There might however be two plausible reasons why Broad-based Economic Empowerment might impact positively on economic output. First is that if workers are empowered through increased ownership of the firm, say for instance through share options, that might lead to increased output at a firm level and ultimately at national level. Many international companies, including Microsoft have successfully implemented this strategy. The counter argument is that in the case of Namibia a big part of the poor population is excluded from the labour market.

A second channel that could explain why broad-based empowerment would positively impact on national output and economic growth would be the social cohesion argument. Huge socio-economic disparities, as is the case in Namibia, can lead to social unrest, which in turn can impact on economic growth through reduced capital formation and attraction of foreign direct investment amongst others. Moreover, vast social disparities as is the case in Namibia can undermine the perception of secure property rights. If the existing owners of enterprise feel that for some reason their property rights are not secure, they might reduce their investment in the firm.

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Mushendami et al. (2007, forthcoming) cite that because of uncertainties about the land reform process, commercial farmers in Namibia have reduced their capital investment. Hence Broad-based Economic Empowerment may positively impact on a sense of strengthened property rights and increased social cohesion. It is important, however, to point out that if economic empowerment is perceived not to be broad-based (but only benefit a few elites) this benefit might not materialize. In this connection, Sanchez (2006) shows that despite the emergence of a black capitalist class in South Africa, the income gap within the black population has widened since 1994.

### **3. Namibia's poverty profile<sup>2</sup>**

Although Namibia is classified as a lower-middle income country, it is characterized by high income inequality and widespread poverty. According to the latest National Household Income and Expenditure Survey (NHIES) of 2003/04 Namibia's Gini Coefficient was 0.6, placing it among the countries with the highest income inequality in the World. The NHIES further reveals that 28 percent of all households in Namibia can be classified as poor, while 4 percent of households fit the definition of extremely poor in 2003/04<sup>3</sup>. This section presents a brief synopsis of the extent of poverty in Namibia starting with the distribution of income. Furthermore, special emphasis is placed on where the poor are located in Namibia. It shows that the poor are mainly in rural areas, and that there are also big discrepancies in income between gender and different language groups. The section also presents some findings of the latest UNDP Human Development Report. It shows that despite a relatively high per capita income, the average living standard of Namibians is below average. It again shows huge discrepancies between different regional and language groups. These facts support calls for a Broad-based Economic Empowerment strategy.

#### **3.1 Income inequality**

Although Namibia has a relatively high per capita income that puts it among a few African countries with middle income status, it is also one of the countries with the worse income distribution. The 2003/04 NHIES puts the Gini coefficient<sup>4</sup> at 0.604. Although this is an improvement over the estimated 0.701 in the 1993/94 survey, the

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<sup>2</sup> This section borrows mainly from the National Household Income and Expenditure Survey (NHIES, 2003/04)

<sup>3</sup> Households are classified as poor if food consumption makes up 60 percent or more of total household consumption and as severely poor in cases where consumption is 80 percent or more.

<sup>4</sup> The Gini coefficient is a summary statistic of the Lorenz Curve. It is a measure of the income distribution in a country. It compares the actual distribution to the totally equal distribution. The coefficient ranges from 0 to 1. An equal distribution of income gives a coefficient close to 0. The more unequal the distribution is the closer the coefficient is to 1.

level of inequality remains high by international standards (World Bank, 2007). It is further noted that the top 20 percent of the population accounts for 63 percent of the total consumption expenditure, while the lowest quintile<sup>5</sup> accounts for only 3 percent. Furthermore the highest quintile spends 21 times more than the lowest quintile. This demonstrates the broad picture of inequality in Namibia, which cannot necessarily be generalized to rural areas.

### **3.2 Where are the poor?**

The 2003/04 NHIES reveals large discrepancies in the household income between rural and urban areas. According to the survey average income per capita was N\$5 141 in rural areas compared to N\$15 810 in urban areas. While rural areas account for 60 percent of all households in the country and 65 percent of the population, they only account for 38 percent of total income. The region with the highest income per capita is Khomas with N\$22 860, representing more than six times that of Ohangwena, the region with the lowest income per capita. The survey shows that in the regions of Khomas and Erongo, the shares of income significantly outweigh the shares of households, suggesting that households in these regions account for a larger share of the nation's total income than their numbers alone would suggest (Table 1).

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<sup>5</sup> Any of the four values of a variate which divide a frequency distribution into five groups, each containing one fifth of the total population; also, any of the five groups so produced. Upper quintile thus refers to the upper 20 percent.

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**Table 1: Annual household income by region**

Region	Household	Population	Average household size	Average household income	Income per capita	Adjusted income per capita
Caprivi	18 607	86 437	4.6	25 307	5 447	6 411
Erongo	27 713	99 013	3.6	53 408	14 948	16 819
Hardap	16 365	68 194	4.2	43 413	10 418	12 092
Karas	15 570	62 465	4.0	44 623	11 123	12 706
Kavango	32 354	208 441	6.4	23 820	3 697	4 427
Khomas	64 918	258 504	4.0	91 028	22 860	25 427
Kunene	13 365	61 647	4.6	27 876	6 043	7 240
Ohangwena	37 854	236 748	6.3	22 207	3 551	4 304
Omaheke	13 347	56 037	4.2	43 792	10 431	12 232
Omusati	39 248	225 405	5.7	26 369	4 591	5 466
Oshana	31 759	170 190	5.4	45 704	8 529	9 963
Oshikoto	31 871	172 636	5.4	26 788	4 945	5 895
Otjozondjupa	28 707	124 283	4.3	34 897	8 060	9 457
<b>Namibia</b>	<b>371 678</b>	<b>1 830 000</b>	<b>4.9</b>	<b>43 521</b>	<b>8 839</b>	<b>10 358</b>
Urban	150 533	634 322	4.2	66 620	15 810	17 898
Rural	221 145	1 195 677	5.4	27 798	5 141	6 139

Source: NHIES, 2003/2004

The statistics in the above table should be interpreted with care as various factors such as economic activity could contribute to the above results. For example the income per capita of the Karas and Erongo region could be largely influenced by mining activities taking place in these two regions. Whilst the mining industry is not particularly labour-intensive, it generates income and is one of the larger contributors towards the GDP of Namibia. The above could explain why these two regions have the second and third highest income per capita of all the regions, although one cannot make direct inferences about the *distribution* of this income.

An analysis of poverty by gender reveals that the overall distribution of poor households between male and female heads is such that more male-headed households are poor compared to female headed households. Further, there are more male-headed households in Namibia compared to female-headed households. However, an examination of the female and male headed households that are poor

as a share of total female and male headed households respectively reveals that female headed households are relatively worse-off in terms of food poverty<sup>6</sup>. The trend is similar for rural and urban areas (Table 2).

The disparity in income between genders is further supported by the labour force survey data. The World Bank (2007) shows that before controlling for difference in the characteristics of men and women, men on average earns 34 percent more than women. Only two fifths of this differential is explained by differences in the average characteristics of men and women, while the remaining three fifths is explained by differences in the level of remuneration between men and women for given cs (conventionally interpreted as discrimination effect).

**Table 2: Sex of households**

	Female		Male	
	Non poor	Poor	Non poor	Poor
<b>Namibia</b>	28.4	12.2	43.7	15.6
<b>Urban</b>	34.7	2.9	58.6	3.8
<b>Rural</b>	24.1	18.6	33.6	23.8

Source: NHIES 2003/04

Household income also varies greatly by main languages spoken in households (Table 3). Households in which German, English and Afrikaans are the main language spoken reported the highest income per capita, N\$81 772, N\$59 593, and N\$25 372, respectively. On the other hand households in which Khoisan, Rukavango, Nama/Damara and Oshiwambo are the main language spoken reported the lowest income per capita, N\$2 642, N\$3 464, N\$5 421, and N\$6 151, respectively. Comparison shows that the average German speaking household have a per capita income that is 31 times higher than the average per capita income in a Khoisan speaking households, and 13 times that of the average Oshiwambo speaking household (Table 3).

<sup>6</sup> Food poverty here refers to household-level hunger. Households in food poverty do not have enough food to meet the energy and nutrient needs of all of their members.

**Table 3: Annual household incomes by main language spoken in household**

Main language spoken	Average household income	Income per capita	Adjusted per capita income
Khoisan	14914	2642	3263
Caprivi languages	30178	6590	7728
Otjiherero	44610	9787	11478
Rukavango	21439	3464	4137
Nama/Damara	24535	5421	6366
Oshiwambo	32225	6151	7218
Setswana	41600	10854	12793
Afrikaans	96140	25372	28684
German	204018	81772	87649
English	198687	59593	66898
Other	117553	29486	33461
Not stated	59767	11968	14200
<b>Total</b>	<b>43521</b>	<b>8839</b>	<b>10358</b>

Source: NHIES, 2003/2004

#### **4. Legal and regulatory framework and initiatives of Broad-based Economic Empowerment in Namibia**

In Namibia, although no Broad-based empowerment framework was established; several initiatives that includes aspects of Broad-based Economic Empowerment were introduced by both the private sector and the government. At the time of writing this report, the Office of the Prime Minister was busy drafting a Transformation for Economic and Social Empowerment Framework (TESEF) which, amongst others, would be aimed to address the issue of Broad-based Economic Empowerment. According to the Prime Minister, TESEF would not only be about empowerment but also about transformation, with a strong emphasis on the starting up of new business and supporting structures to sustain those businesses. He also stressed that the Government has made several attempts to empower previously disadvantaged Namibians through provision of fishing quotas, loans, educational investments and other initiatives.

Notwithstanding the lack of a single piece of legislation that regulates Broad-based Economic Empowerment, unlike the South African case, a broad range of policies

and institutions were set in place to guide socio-economic transformation in Namibia. In addition to the constitution of the Republic of Namibia, there are at least nine other regulatory frameworks or initiatives aimed at transformation or empowering previously disadvantaged Namibians in Namibia. These include formal initiatives by government such as the Affirmative Action policy; the Land Reform Policy; Government attempts at Namibianization of the fishing sector; and the affirmative action loan scheme of the Agricultural Bank of Namibia. Under government initiatives would also fall national development plans such as the Medium Term Expenditure Frameworks, NDPs and Vision 2030.

Although the strategy has been mainly government driven, the private sector has of recent become more involved, through the formulation of industry transformation charters. These initiatives are mainly voluntary and include a number of charters such as the tourism, mining and financial sector charter. These charters are to serve as guidelines for companies operating in a range of sectors. Additionally, the private sector introduced a preferential procurement framework. The above will be discussed in more detail in subsequent sections. Due to the absence of a clear national policy on empowerment; these charters are, however, not binding. It is also worth mentioning that some of these initiatives have not been launched yet and are subject to change. Therefore, unlike the case in South Africa, where implementation of similar charters are guided by set rules developed by government, including the generic score-card for transformation, the Namibian charters are only binding to a limited extent.

#### **4.1 The Namibian Constitution**

The Namibian constitution has the following to say about redressing the disparities of the past: *The Namibian constitution stands for equality to all people and no discrimination shall be allowed on the basis of sex, race, ethnic origins, religion, creed or social justice* (Article 10). However the questions that remains is how the Namibian constitution addresses the disparities of the past. Article 23(2) of the Namibian constitution stipulates that law makers may pass legislation aimed at redressing social, economic or educational imbalances in the Namibian society arising out of past discriminatory laws or practices. The constitution clearly states that women should be given preference in different roles especially regarding political, social economic and cultural life. The reason being that women were given primitive roles before independence and that they were discriminated against.

Furthermore, the constitution makes provision for right to education especially concerning free education and compulsory primary education up to an age of 16

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years. The emphasis is placed on allowing young people to have basic right to education and improve such a person's life.

It is clear that the constitution would like to redress the past imbalances and empower the youth, previously disadvantaged people, more especially women, irrespective of race, that were under special discrimination.

#### **4.2 Affirmative Action (Employment) Act**

One of the pieces of legislation aimed at redressing the employment conditions of disadvantaged people arising from past discriminatory laws and practices is the Affirmative Action Act of 1998. Accordingly, article 17 of the act defines affirmative action as “a set of measures designed to ensure that persons in designated groups enjoy equal employment opportunities at all levels of employment and are equitably represented in the workforce of a relevant employer”. The act identifies three designated groups, namely: racially disadvantaged persons; women; and persons with disabilities. Whereby racially disadvantaged persons means “all persons who belong to a racial or ethnic group which was or is, directly or indirectly disadvantaged in the labour field as a consequence of social, economic, or educational imbalances arising out of racially discriminatory laws or practices before the Independence of Namibia”. Persons with disabilities are defined as “any persistent physical or mental limitation which restricts such person's preparation into or participation or advancement in employment or occupation.”

In terms of filling positions of employment, article 19 of the act stipulates that “a relevant employer shall give preferential treatment to suitably qualified persons of a designated group”. Where two or more suitable qualified candidates from designated groups qualify for a position of employment, the employer shall give priority to a candidate who is a Namibian citizen or if all such candidates are Namibian citizens, to the candidate who belongs to more than one designated group. The act also compels relevant companies to prepare regular affirmative action plans to be instituted in order to eliminate employment barriers against designated groups; make available positions of employment to such persons, provided that it is reasonably possible; and ensure that such persons are equitably represented in the various positions of employment. It further requests companies to set out the affirmative action objectives they expect to achieve. This is done through setting out numerical goals for increasing the representation of persons in designated groups in each job category and establishing a timetable for the achievement of such objectives.

It may be questioned if the affirmative action policy is a broad-based empowerment initiative or not. Some are of the view that it is not, because it focuses only on the issue of representation and not ownership and control. While this is true from a narrow perspective of empowerment, it could also be argued that it addresses some of aspects of the broader definition of empowerment. In this connection Jauch (2005) argues that affirmative action does not necessarily eradicate socio-economic inequalities. Instead, inequalities may merely be shifted from the basis of race, ethnicity or gender to the basis of class. He concludes that affirmative action may promote the redistribution of opportunities in favour of previously disadvantaged groups, but it is not the principle mechanism to redistribute wealth or to overcome poverty. Nevertheless it is one of the pieces of legislation that tries to redress certain disparities arising from past policies. A review of the developments on affirmative action is done in section 5 of this paper.

### **4.3 Transformation of Economic and Social Empowerment Framework**

As part of its empowerment initiatives and to create an overall framework, the Government of the Republic of Namibia has embarked upon designing a transformational framework that will guide the process of Broad-based Economic Empowerment (BBEE). Decti Namibia, a subsidiary company of Decti South Africa, has been contracted by the Office of the Prime Minister to design a legal framework for economic transformation and social empowerment (TESEF) that is customized for Namibia. Namibia's transformational charter will be more outcome-based and is built on several pillars. These pillars are; ownership/entrepreneurship development, equity participation, management control, employment equity, human and skills development, preferential procurement, support to SME's, socio-economic development/corporate social investment and business mentorship. TESEF is aimed at building on the long-term success of enterprises (DECTI, South Africa). Its objective is the "empowerment of previously disadvantaged Namibians through social justice, economic growth and transformation" (Angula, 2006). Furthermore, this framework will devise a platform for ownership of economic assets by Previously Disadvantaged Communities (PDCs) through different vehicles. DECTI Namibia describes the framework as transformation of "economical and social sectors by, among others, increasing access to financial services and local ownership, improving affordability, offering better procurement for SMEs, stemming capital outflow and strengthening development". The focus of TESEF is to involve all PDCs in an equitable and transparent manner. The framework is expected to be completed in April 2008 and is still under scrutiny.

#### 4.4 Tourism charter

Namibia offers diverse products for tourists and has a wide range of tourist attractions. The Namibian tourism industry is booming and has the potential to compete against major tourist destinations in Africa. According to the statistical report of 2004 by the Ministry of Environment and Tourism, “Tourists to Namibia have increased from 254,978 in 1993 to more than 695,000 in 2003”. Namibia remains one of the leading tourist destinations in Southern Africa. However, the Namibia tourism industry is still in an infancy stage and only started to grow after independence and has the potential to expand.

The Namibian Tourism industry was racially skewed and is still dominated by the previously advantaged which is a bequest of the apartheid regime. As part of redressing the past imbalances and empowering the previously disadvantaged Namibians in different areas, the Federation of Namibian Tourism Associations (FENATA)<sup>7</sup> adopted a Transformation Charter. The Charter is aimed at introducing Broad-based Black Economic Empowerment by including a broader spectrum of previously disadvantaged people to gain from the tourism sector and to attain growth and development in this sector. Furthermore, this charter, through its provisions, does not compromise on the quality of service although empowerment is priority. The Transformation charter states that promotions and empowerment is based on qualifications and competencies and not just including the previously disadvantaged. It also focuses on the skills gap experienced in the sector and thereby advocates training more especially on the job.

The transformation charter sets guidelines through which any type of empowerment should take place. The specified focus areas of the charter include: Skills development; Apprenticeships; Internships and Sponsorships; Strategic Representation and Employment Equity; Ownership and Joint Venture Partnerships; Preferential Procurement, Enterprise Development; and Social Responsibility programs.

The transformation charter provides broad aspects of empowerment but has the following shortcomings:

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<sup>7</sup> FENATA affiliates: Air Namibia, Association of Namibian Travel Agents (ANTA), Bed & Breakfast Association of Namibia (B&BAN), Car Rental Association of Namibia (CARAN), Hospitality Association of Namibia (HAN), Namibia Community Based Tourism Association (NACOBTA), Namibia Professional Hunters Association (NAPHA), Namibian Academy for Tourism and Hospitality (NATH-Associate Member), Tour Guides Association of Namibia (TAN), Tour and Safari Association (TASA) and Tourism Related Namibian Business Association (TRENABA).

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- The focus areas of the charter have no time frame attached.
- No benchmarks have been set to measure the success or failure of the charter after implementation. Therefore, it will be difficult to assess the progress made in terms of the transformation process.
- Although the charter refers to the employee share scheme, it does not provide clear guidelines as to when and how the transfer of shares will take place.
- No review periods are set to assess the progress made in terms of predetermined assessment periods and finally,
- The charter does not identify an assessment body that will take responsibility in reviewing the implementation and assessment of the charter in a given time frame.

In conclusion, the Namibian tourism industry identified key areas to be addressed by the process of Broad-based Black Economic Empowerment through its charter but the charter has certain shortcomings. Although the transformation charter is broad-based FENATA does not make a strong commitment towards implementing the charter. The charter does not take into consideration a review process and does not enforce businesses to meet certain goals within the set timeframe. Currently, the charter does not bind the sector in implementing the provisions and thus acts in mere convenience in the absence of any binding.

#### **4.5 The Fishing Sector<sup>8</sup>**

The fishing sector is one of the main contributors to the country's economy and is a major source of foreign exchange earnings. Fishing and fish processing added value to the economy to the tune of N\$2,382 million in 2005, which led to exports worth of N\$3,687 million (Annual report of MFMR, 2005). It therefore contributed to approximately 20 percent of the country's total exports of goods and services and employed over 12,000 people during 2005. The sector's GDP contribution has increased from below 5 percent at independence to above 6 percent in 2005.

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<sup>8</sup> This sub-section has largely borrowed from Sherbourne (2007) and information from the Ministry of Fisheries and Marine Resources.



The fishing sector is one of the first sectors which strived at restoring the imbalances created by apartheid. Government instituted a number of important policies<sup>9</sup> and legislation<sup>10</sup> to address this inequity and to empower Namibians in the Fisheries sector. These activities are overseen by the Ministry of Fisheries and Marine Resources (MFMR) and the Minister allocates the rights to companies and individuals that qualify for a certain range of marine species<sup>11</sup>. The rights are allocated to a large number of small right holders to ensure greater involvement of Namibians in the industry, more especially previously disadvantaged Namibians. Key interventions in the sector include: promotion of on-shore processing by including the introduction of on-shore processing incentives; Namibianization of the fishing industry by encouraging access to the sector by Namibian nationals, especially those who were previously socially, economically, and educationally disadvantaged. In brief the strategies include: Stock rebuilding, Namibianization and empowerment. Aquaculture has been identified as a prime priority development area and Aquaculture Policy and legislation are in place to ensure a thriving aqua culture industry. It is however, not clear whether the fishing sector is making specific efforts aimed at empowering women.

The rights holders are supposed to own vessels and catch fish but they are not necessarily expected to process fish onshore since it would not make sense for each one of them to operate a factory. They are nevertheless expected to specify the company that would process the fish that they catch when they are receiving their annual quota. Many of the right holders are just selling their rights and pocketing money instead of becoming actively involved in fishing which is in contrast to the aim of Government to actively involve Namibians in the fishing process. Table 4 underneath illustrates the percentage of Namibian ownership for fishing rights in 2006. This table clearly indicates that the MFMR is successfully awarding the rights to Namibians although the degree of active involvement could not be established.

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<sup>9</sup> Namibia's Marine Resources Policy: Towards Responsible Development and Management of the Marine Resources Sector; White Paper on the Responsible Management of the Inland Fisheries of Namibia and the Aquaculture Policy.

<sup>10</sup> The territorial sea and Exclusive Economic Zone of Namibia Act, Marine Resources Act, Inland Fisheries Resources Act, Aquaculture Act.

<sup>11</sup> Small and large pelagic (or surface dwelling) fish (primarily pilchard, tuna and tuna-like species albacore, big-eye tuna and swordfish as well as short-fin mako and blue sharks); Midwater fish (primarily horse mackerel and juvenile hake); Demersal fish (primarily hake and monkfish); Deep sea fish (primarily orange roughy); Crustaceans (primarily rock lobster and deep-sea red crab); Other resources (primarily mullets, cape fur seals, guano, and seaweed).

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**Table 4: Percentage of Namibian ownership for fishing rights**

Fishery	Percentage Namibian ownership as at 2006
Hake	80
Monk	90
Horse Mackerel	74
Pilchard	86
Rock lobster	99
Crab	83
Orange Roughy	56
Seals	100
Line Fish	94
Large Pelagic (Tuna)	98

Source: MFMR, 2007

Furthermore, concerning Namibianization, the MFMR's quota fee system was designed to promote the Namibianization of the fishing fleet through charging different rates for those that fly the Namibian flag and others that fly foreign flags. Quota fees are lower for vessels permanently based in Namibia, which fly the Namibian flag that is majority owned by Namibians and whose crew are 90 percent or more Namibian (or 55 percent in the case of a midwater trawl industry vessel). Such incentives have increased the Namibianization of the fishing vessels. The participants within the fishing sector, nevertheless argues that the midwater fleet is more difficult to Namibianize because it involves larger more expensive freezer trawlers that requires more specialized skills to operate. The Russian and Polish technicians are therefore mostly found in this midwater fleet that is still largely foreign-owned. Namibians can however boast of four successful fully Namibian-owned companies.<sup>12</sup>

<sup>12</sup> Etale (Silvanus Kathindi), Hangana (Ohlthaver & List), and Fishcor (Government). Diaz Fishing (Sidney Martin) operates vessels while Seawork (Peter Pahl and one other partner) holds no rights of its own but operates an onshore factory employing some 750 people (Sherbourne, 2007).

Ownership in the fishing sector has played a significant role in the marketing of fishing products. Foreign partners are more involved in the marketing of the products, thus the country only has a small fraction of consumer presence in its most important markets. The Spanish involvement in the Namibian industry has accounted for over 70 percent of Namibia's fish and fishery products to be exported to Spain. This causes a smaller number of Namibians to be involved in the larger business of packaging, branding, marketing and distributing rather than just catching with a minimal amount of onshore processing. It is nevertheless worthy to note that in many products the critical mass does not exist to be able to sustain such an operation.

In conclusion, notwithstanding the successes that the sector has reached, there are still particular shortcomings. Namibians, instead of becoming actively involved in the fish process, sell of their rights to others, especially foreigners, thus there is limited capacity building of Namibians in the process. The empowerment of women in particular is not clear as well as skills development, more especially training on how to use these fishing rights to run a profitable business and adding value to the economy. In addition, since marketing of the fish products are mostly done by foreign nationals, Namibia's involvement has been very limited. Furthermore, although it is argued that the critical mass does not exist for Namibians to be involved in the value chain, the fisheries industry could still try to identify certain products such as hake for example, which has an increased degree of involvement of Namibians, since many in the industry believe that the fully Namibian-owned companies are more than able to be involved. It is nevertheless worthy to conclude that through the lower quota fees for Namibian vessels the Ministry has to a greater extend succeeded in Namibianizing the vessels.

#### **4.6 Mining Charter**

Mining remains a key industry in the Namibian economy. The industry is at a booming stage with more uranium mines opening in Namibia, more recently the Langer Heinrich uranium mine. The members of the Chamber of Mines<sup>13</sup> had a total employment of 7,418 employees in 2005 with a total export of goods worth N\$ 15,937 million during 2005 (Annual report Chamber of Mines, 2005). As part of their aim of

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<sup>13</sup> Members of the mining industry are Namdeb Diamond Corporation, Ongopolo Mining and Processing, Rossing Uranium, Anglo Gold Ashanti, De Beers Marine Namibia, Okorusu Flourspar, Scorpion Zinc Mining, Rosh Pinah Zinc Corporation, Langer Heinrich Uranium, Salt & Chemicals, Sakawe Mining Corporation, Diamond Fields, Salt company, Transhex Group, Storm Diamonds, Ambase Exploration Namibia, Avmin Namibia, Bafex Exploration, BHP Billiton, Kumba Resources, Mount Burgess Gold, Onganja Mining Company, PE Minerals, Rio Tinto Namibia, Roburgh Exploration, Savanna Marble, 3M South Africa, Teck Cominco, Westport Resources, Hallie Investments, West Africa Gold Exploration, Banerman Mining Resources Namibia and Bonaparte Diamond Mines NL.

transforming the Namibian economy by empowering the previously disadvantaged Namibians, the Chamber of Mines designed a proposed transformation charter.

The proposed empowerment strategy of the chamber of mines is based on 7 pillars: ownership; employee literacy/numeracy standards; education and training; employment practices; community development; procurement; and beneficiation. The charter requires members to submit reports on the progress made in terms of empowerment strategy. Furthermore, it requires companies to submit plans in terms of the pillars as stated above. The advantage of the submission is that it gives the Chamber of Mines an overview of how successful companies have implemented the charter and any plans that these companies have. The charter requires a submission of detailed reports on the level of ownership and plans in transferring of ownership under different schemes like employee trust with timeframes.

In addition the charter requires the following:

- The submission of literacy rates and standards of employees, as well as future plans;
- Submission of plans in expanding and development as well as programs in education on different levels e.g. primary, secondary level;
- Reports on current employee benefits, HIV/Aids and social development initiatives, plans and reports on community development initiatives of companies;
- Reports on procurement according to categories specified which is ownership of affirmative action groups and value of goods and services and;
- Reports on beneficiation of existing products.

The charter covers a wide spectrum of empowerment areas and has better commitment to empowerment when compared to other sectors that has empowerment initiatives in place. In addition, the charter provides a vision through submission of plans that gives an indication of how transformation process will take place. However certain limitations were identified that needs improvement although the charter is still in a proposed form. Some of these are highlighted in subsequent paragraphs.

Firstly, the charter does not indicate a sector timeframe in which the industry is committing itself to have economic transformation.

Secondly, as the mining industry is predominantly occupied by men, no reference has been made to empower women and change the trend. Women empowerment is not specifically stated in the charter showing the low level of commitment of the mining industry to women under previously advantaged. A benchmark is not set indicating women empowerment process but the focus is more generally on previously disadvantaged.

Thirdly, although the charter mentions an employee trust, there are no clear directives in assisting employees in terms of ownership participation through schemes such as employee share ownership scheme. As stated by LARRI (May 2003), "Small miners for example will not be able to meet the financial and technical requirements to receive mining licenses and poor communities on mineral-rich land will not benefit from their minerals. Instead, shareholding in existing mining companies will be opened up to a fairly small group of black business people in the name of Black Economic Empowerment (BEE)". Therefore, the question that remains is how workers, labourers or communities benefit from Broad-based empowerment (BBEE). The charter does not provide a guideline stating how employees can move into the ownership structures of the new and existing companies, something that is overlooked considerably.

Lastly, the charter does not take initiative in introducing and describing programs such as equity participation and does not respond to specific issues but is a more general or broad in terms of vehicles that could be used to encourage broad-based empowerment.

In conclusion, the Chambers of Mines of Namibia has a more focused empowerment charter in terms of the pillars mentioned. It gives responsibility to companies in reporting back on the progress made and requests them to submit plans on how they will empower previously disadvantaged people. However, the charter is broad in setting guidelines on how to achieve specific empowerment schemes like equity participation. The charter does not set any achievable benchmarks in specific periods. Furthermore, women and employee empowerment strategies are not set out clearly with their targets.

#### **4.7 Namibian Preferential Procurement Council**

The Namibian Preferential Procurement Council (NPPC) was established to redress the imbalances in the business world left behind by the legacy of past political and economic policies. Furthermore, it was established to enable Namibian companies

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to enter markets that were inaccessible or closed to them. This council was inceptioned after the Black Economic Empowerment Workshop that was held in December 2003. Its current members are Rosh Pinah Zinc Corporation, Namdeb, Skorpion Zinc, Telecom and MTC.

The NPPC decided to go the route of preferential procurement as a starting point for empowerment. The four giants of industry take into account the results of the accreditation done to their suppliers by the firm Decti Namibia (Pty) Ltd when awarding tenders. The accreditation scorecard comprises of criteria against which the companies are graded. The scorecard is used for companies with 20 or more employees, the baseline which is nearly the same to that of the Employment Equity Commission, which requires information from companies with 25 or more employees.

The scorecard in the mining sector covers the weighted elements of ownership (20 percent), management (10 percent), employment equity (10 percent), skills development (20 percent), preferential procurement (20 percent), enterprise development (10 percent) and CSI (residual at 10 percent). The template for the scorecard is taken from the South African mining charter. Each weight itself is further broken down into further elements. To take an example, the 20 percent weight of ownership is further divided into categories such as: male, female, community, race, amongst others.

The results are categorized into:

- Limited Contributor (0-49 percent)
- Satisfactory Contributor (50-64 percent)
- Good Contributor (65 – 100 percent)

Companies with less than 20 employees are graded according to less comprehensive standards, namely the narrow-based definition of BEE (whether the company is Namibian owned), whether it is registered for VAT, Social Security, and whether it has submitted an AA report. It is in the interest of the supplier to become accredited as it used as a criterion by the above 5 institutions' tender process. The suppliers are entered into a database.

The main thrust of the database is to have a unified Namibian database from which verified BEE enterprises can be sourced and thus systematically filtered into the mainstream economy of Namibia.

There are currently 189 companies which have agreed to accreditation and are in the database. The results of the ranking are as follows:

**Table 5: Ranking of BEE suppliers to NPPC**

Category	Number of Companies
Limited Contributor	129
Satisfactory Contributor	48
Good Contributor	12
<b>Total</b>	<b>189</b>

Source: DECTI Namibia

An astounding 68 percent of accredited companies are classified as Limited Contributors. This raises a few questions. Firstly, are the standards by which these companies are being graded against too high?

It is arguable that the standards designed for the South African mining industry cannot simply be applied to Namibian companies without alterations which take the Namibian economic environment into account or the capacity of such firms in reaching the criteria's. Perhaps a development period should be given to enable suppliers in working towards being rated according to the needed BEE status.

With just approximately 6 percent of companies being accredited as Good Contributors, it is evident that there exists room for the NPPC members to expand their efforts towards BBEE and lend support to their suppliers in terms of, for example, management and skills development, which account for 10 and 20 percent respectively of the score marks.

The initiative taken by the 3 mines and 2 telecommunications companies is laudable and worthy of duplication in other industries as well as by the rest of the members of the Namibian Chamber of Mines.

The questions, of course, remains of what the NPPC members *themselves* are doing within their organisations to achieve the BBEE criteria set out for their suppliers.

#### **4.8 Land Reform Policy**

Before independence the colonial regime settled their people on best farmlands restricting the black Namibians only to communal agricultural activities and allowing the white population to participate in commercial farming. As a result there were divisions among the populace in Namibia, leaving the previously disadvantaged people in communal lands<sup>14</sup>. Furthermore, this left the majority of the population with a small share of the land to carry out agriculture activities, leaving the minorities with a vast area of land. The standard of living of the black population was low and people in rural areas were more dependent on subsistence farming. The government's policy on land reform is a major endeavour to address inequality and poverty. The main objective of land reform in Namibia is to achieve acceptable redistribution of land, improvement of the material conditions of the poor peasants, the farm labourers and alleviating the plight of the landless Namibians. The Land Reform Advisory Commission was constituted as a legal requirement to advise the Ministry of Lands. The Commission is composed of different institutions such as the Namibia Agriculture Union, Namibia Farm Union and others. The Lands Tribunal is also in place to serve as an arbitrator in cases where a disagreement arises.

In 2003 the Government created a Permanent Technical Team (PTT), comprised of individuals with wide range of expertise. The PTT was mandated to review the existing legal and policy framework, economic sustainability of land reform, financial sustainability, institutional and environmental issues on resettlement programs. Since the land reform started, the Government, through the Ministry of Lands and Resettlement, has acquired 157 farms in commercial areas. Furthermore, to demonstrate commitment to the land reform and resettlement program, the Government makes a budgetary provision of N\$50 million annually (since 2003) for land purchase in commercial areas. Apart from acquiring land through willing seller willing buyer, a process many regard as slow and ineffective, the Government has instructed the Ministry of Lands and Resettlement to put mechanisms in place for expropriation of land in the interest of the State. The process is underway and will be done within the provisions of the constitution of the Republic of Namibia and the existing Agricultural (Commercial) Land Reform Act of 1995. The implementation of this provision is carefully sought with proper and participatory consultation. In accordance with the law and the spirit of national reconciliation and national building,

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<sup>14</sup> Communal land is land forced onto the black population of Namibia to share among them by the apartheid regime. This was the root cause of division among the different tribes in Namibia.



expropriation of farmland will be done with fair compensation. It is believed that this strategy will help to ameliorate and contribute positively towards a solution to resolve the land question in Namibia without provoking any form of violence.

The Government also introduced the Affirmative Action Loan Scheme, which is administered by the Agricultural Bank of Namibia (Agri-Bank). According to the Agricultural Bank of Namibia Annual Report of 2005 “The main objective of the Affirmative Action Loan Scheme is to resettle well-established and strong communal farmers on commercial farmland to minimize the pressure on grazing in communal areas” (refer to Section 4.7.2).

Other programs under the auspices of Agr-Bank include the North-South Incentive Scheme (N-SIS<sup>15</sup>, Loans for the Erection of Farm Workers House<sup>16</sup>, National Agricultural Credit Programm<sup>17</sup>, Government Tractor Schem<sup>18</sup> and the Drought Animal Power Acceleration Programme<sup>19</sup> (Agri-Bank Annual report, 2005).

#### **4.8.1 National Resettlement Policy**

The national resettlement policy states that the objective of Government’s resettlement policy focuses on resettling eligible people in a way which is “institutionally, sociologically, economically and environmentally sustainable and allow the beneficiaries to become self supporting”. The Ministry of Land, Resettlement and Rehabilitation estimates that there are about 243 000 Namibians that are landless. Until 2005, the majority of Namibia’s arable or commercial land was still owned by minority white Namibians, who owned 86.3 percent of commercial land, compared to 6.3 percent owned by black Namibians (Table 6).

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<sup>15</sup> The objective of the scheme is to accord farmers north of the Veterinary Cordon Fence (VCF) the opportunity to resettle on commercial farms south of the VCF.

<sup>16</sup> The facility is available to farmers for the erection of farm workers’ houses of an acceptable standard.

<sup>17</sup> Provides different types of loans such as; Crop production loan, Livestock loans and the infrastructure loans.

<sup>18</sup> Government assisting farmers by privatizing ploughing services rendered to communal farmers by assisting entrepreneurs to acquire tractors and implements and then render the services.

<sup>19</sup> The aim is to utilize draught animal power initiative in the northern communal areas for smallholder farmers to profitably use various animal traction technologies for higher sustainable crop production and increased productivity.

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**Table 6: Landownership in Namibia**

Total Agricultural land	69 700 000 ha	As % of total
Communal land	33 500 000	48.1
Commercial land	36 200 000	51.9
<b>Total number of commercial farms</b>	5 124	
Owned by Whites	4 422	86.3
Owned by Blacks	324	6.3
Owned by Foreigners	240	4.7
GRN Farms	34	0.7
<b>Not occupied</b>	104	2.0

Source: Statistics by MLRR, Resettlement program 2001-2005

The above mentioned statistics indicate the slow pace the resettlement process is taking. However, the Government has introduced other procedures in increasing the pace viz. the expropriation of commercial farms, which is still relatively new. The National Resettlement program has target groups namely: the San community; ex-soldiers; displaced, destitute and landless Namibians; people with disabilities; and people from overcrowded communal areas. People having more than 150 large stock or 800 small stock units or equivalent do not qualify for resettlement. The following criterion has been set up for selection:

- Beneficiaries should have a background or an interest in agriculture or other related activities on which the resettlement is based;
- They should be prepared to hold land under leasehold tenure arrangement and relinquish any agricultural land rights elsewhere;
- Applicants for animal husbandry should not own livestock more than the carrying capacity of the farm;
- Settlers should be prepared to support cost such as lease and water fees if introduced; and

- Applicants should be 18 years old or older and should adhere to stipulations of lease/resettlement and utilize land allocation productively. Failure to this can disqualify the applicant.

The national resettlement program has been introduced as a noble idea to promote equitable distribution of land and restore the unequal allocations made by the colonial regime but faces the following limitations:

- There are no benchmarks to measure the progress made in the implementation of the program;
- No timeframe is attached to indicate when stocktaking will take place in order to see the successful implementation of the process;
- A maximum number of livestock is stated in the resettlement policy but there is no indication of the minimum qualification requirement, permitting anyone even a person having two livestock to qualify for resettlement. This can reduce productivity on such farms especially considering the fact that these are commercial farms;
- Although training needs have been identified by the relevant Ministry, no clear guidelines are stated upon which the implementation thereof will take place;
- The national resettlement policy is for empowerment of the previously disadvantaged people however the policy does not have a requirement that the resettled communities must show commitment and after a certain period move into commercial farms.

To conclude, after independence the Government of the Republic of Namibia has introduced certain measures in redressing the unequal distribution of land and established the Ministry of Lands, Resettlement and Rehabilitation (MLRR) in facilitating the resettlement process. As part of rectifying the unequal distribution of land the Government introduced the Agricultural (Commercial) Land Reform Act of 1995. More specifically, the Government introduced the national resettlement program which focuses on the resettlement of certain target groups. Certain shortcomings have been identified more especially that no review periods were established and there is also no indication of measuring progress made in the resettlement of farmers. In addition, there are no benchmarking and training guidelines which could assist the Government and the resettled farmers for successful farming.

#### **4.8.2 The Affirmative Action Loan Scheme**

The Affirmative Action Loan Scheme (AALS) has been introduced to empower communal farmers and assist farmers with a large number of livestock to move into commercial farming. In 2004 and 2005 the total loans granted by the AALS was 94 and 86 respectively (Table 7).

**Table 7: Affirmative Action loans**

Loans	Affirmative Action Loan			
			Percentage of AA Loans Granted	
	2004	2005	2004 (%)	2005 (%)
Applications received	97	86		
Total Value of applications received	151,010,986	162,395,826		
Applications granted	94	86	97	100
Total value of applications granted	138,314,100	141,239,300		
Total number of Clients indebted	570	610		
Total loans outstanding	488,630,898	571,323,382		

Source: Agribank of Namibia, Annual Report 2005

On average between 1991/92 to 2002/03, Agribank allocated 39 loans per annum (Nepru, database). At the beginning of this period there were larger allocations of loans but this started to decline. In 1992/93 there were 66 loans granted but this declined to 15 loans in 1993/94. However as from 2002/03 on wards there were larger allocations of loans (refer to table 8).

**Table 8: Agribank's loan book**

Year	Number	Amount (N\$)
1991/92	2	619,800
1992/93	66	24,861,600
1993/94	15	5,458,000
1994/95	14	6,462,400
1995/96	21	9,179,900
1996/97	12	5,897,300
1997/98	39	24,625,900
1998/99	50	37,767,700
1999/00	46	33,410,300
2000/01	71	59,838,700
2001/02	35	29,420,200
2002/03	92	114,970,400
<b>Total</b>	<b>463</b>	<b>352,512,200</b>

Source: Nepru database on Affirmative Action Loans Scheme applications

Affirmative Action loans granted increased at a faster pace after introduction of the scheme due to possible changeover of existing loans to Affirmative Action (AA) loans (IPPR, Robin Sherbourne, 2003). However, this subsided over the years.

#### **4.9 The Financial Sector Charter**

The goal of the Namibian Financial Sector Charter (NFSC) is to guide the transformation of the Namibian Financial Sector by ensuring that the Charter is developed within the context of Vision 2030 and the National Development Plans (NDPs), as well as within an agreed timeframe. Although policy guidelines have been provided by the Minister of Finance, the Charter is voluntarily developed by the sector. According to the draft charter, transformation of the Namibian financial sector includes two realities of: the Namibianization of the economy; and the diversification of participation in the economy. The industry focused BEE strategy is for the broad-based empowerment of black persons in Namibia.

The Charter acknowledged that there are considerable differences across the population in terms of skills and education about financial products and services. At the one extreme, there is a small group of super-included people with a wide choice of products and services tailored to their needs. They also have access to financial advisors and are generally well informed and confident about the financial

products and services they use. On the other hand, there are the majority of people for whom few financial services and products are appropriate. They not only lack skills, confidence and independent advice to make informed choices about financial products and services, but also feel strong apathy towards financial service providers.

In developing the NFSC, seven work streams were considered as transformational in effecting the objectives of the charter. They are: Human Resources Development; Procurement Policies and Practices; Access and Affordability of Financial Products and Services; Ownership and Control; Empowerment Financing and Enterprise Development; Corporate Social Investment; and Consumer Protection and Education.

The charter makes provision for the attainment of specific targets by the end of 2017, with a mid-term review by 2012 (score card and transformational targets). For instance, regarding procurement policies and practices, it is proposed that 60 percent of the procurement budget of financial institutions should be spent on BEE, with a mid-term target of 30 percent. Regarding ownership and control the following targets are proposed: 20 percent of black ownership at holding level by 2017; 10 percent of direct ownership by blacks by 2017; 40 percent black people on board of directors by 2012; 11 percent of black women on board of directors; 25 percent of black people at executive level; and 10 percent of black women at executive level.

Regarding implementation and monitoring of the charter, it is proposed that the charter will be overseen by the Namibian Financial Services Charter Council (NFSCC). The NFSCC will select a board of directors from amongst themselves, who will ensure the implementation, monitoring and enforcement of the NFSC. The NFSCC will be made up by two representatives from each of: the Ministry of Finance; Financial Institutions and associations (signatories to the NFSC); financial sector employees; and members co-opted by the board on the basis of skills and expertise in specific strategy components.

There have been identified areas of concern in the charter. The sector does not have baseline figures pertaining to the existing level of Namibianization, more specifically, the number of blacks at the executive levels, senior management, and middle management.

To this effect, an analysis of a limited scope in conjunction with the employment equity commission to find out the extent of black participation in the sector was

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undertaken. Going by the results based on financial companies that submitted their returns to the employment equity commission in 2007, it was concluded that the existing levels of participation of Blacks and Namibians in the financial charter is far above the targets as set in the financial sector charter.

Moreover, the charter does not have specific targets on, among other things, local ownership; blacks and black women at the senior management and middle management in the entire industry. The other observation is that the targets across the entire industry without taking cognizance of those sector players which are more advanced in terms of Namibianization and black ownership than the others.

It is therefore suggested that the industry be requested to determine the baseline scenarios of the existing levels of Namibianization and black ownership before setting new targets to be achieved. If the industry does not have this information at hand, it could consider undertaking a concise review on these aspects. Targets for each objective/goal must be clearly spelt out in the charter. Rather than having a single target for the entire industry, the industry should consider a variable geometry approach, where by subsectors which are far ahead would be allowed higher targets than those lagging behind. In addition, targets that differentiate between the various sector players i.e. banks, insurance sector industry would be more appealing and easy to monitor than targets that cuts across the entire financial industry.

#### **4.10 The Education Sector**

The education sector remains a key priority for Government. Since Independence, there has been great progress in making education free and accessible for all. Namibia is among the eight countries in the world that spend the highest share of GDP on public expenditure in education (World Bank 2007). However, the quality of education has been poor. In this regard, an Education and Training Sector Improvement Program (ETSIP) has been developed by the Government in collaboration with development partners to be implemented over 15 years. Its key objective is to substantially enhance the sector's contribution to the attainment of national development goals and to facilitate the transition to knowledge based economy. In the immediate future, it is expected to improve the quality, range and threshold of skilled labour required to improve knowledge-driven productivity growth, and thus contribute to economic growth.

In addition to ETSIP, the National Training Authority (NTA) bill is to be tabled in Parliament soon. This bill aims to establish an institution of technical learning to arm

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learners with a broad range of skills, from boiler maker to tour guide. The objects of the NTA are to achieve an effective and sustainable system of skills formation that:

- is aligned with the labour market
- provides the skills that are needed for accelerated developments
- develops the competencies needed by young people for productive work and increased standards of living and,
- promotes access, equity and quality in vocational education and training

Because the definition of BBEE includes the economic empowerment of workers, youth, people with disabilities and people living in rural areas, the efforts to establish the NTA are commendable and will fill a crucial gap in the education system. Education, or more accurately, knowledge, is one of the crucial tools needed towards achieving meaningful economic participation of previously disadvantaged citizens of the country through skills development.

## **5. The status of Broad-based Economic Empowerment in Namibia**

Literature on BBEE in Namibia is scarce as the concept is relatively new. As outlined in previous chapters, various sectors and organizations have taken the initiative and have drafted transformation charters. However, with no overall framework of Namibia yet in place and sectoral charters not being legally binding, BBEE undertakings are considered a precarious endeavour indeed.

Very little is known about the status of Black Economic Empowerment (BEE) or Broad-based Economic Empowerment (BBEE) in Namibia. This is partly because it is viewed as a sensitive topic with some political overtones, and partly because of the legal vacuum in which BBEE deals are concluded, as well as the lack of a proper definition of what constitutes broad-based empowerment. It is however, worthy to note that there has been a considerable Namibianization drive in financial institutions since independence. Such drive could be seen in for example, a notable increase of local ownership in the banking sector. This was specifically evident for First National Bank Namibia (F.N.B. Namibia) which increased local ownership from 22 percent to 45 percent and Bank Windhoek which increased from 65.6 percent to 100 percent, between 2001 and 2005 respectively.

In this section we will, nevertheless mainly focus on the results of the employment equity database regarding employment levels of different racial and gender groups,



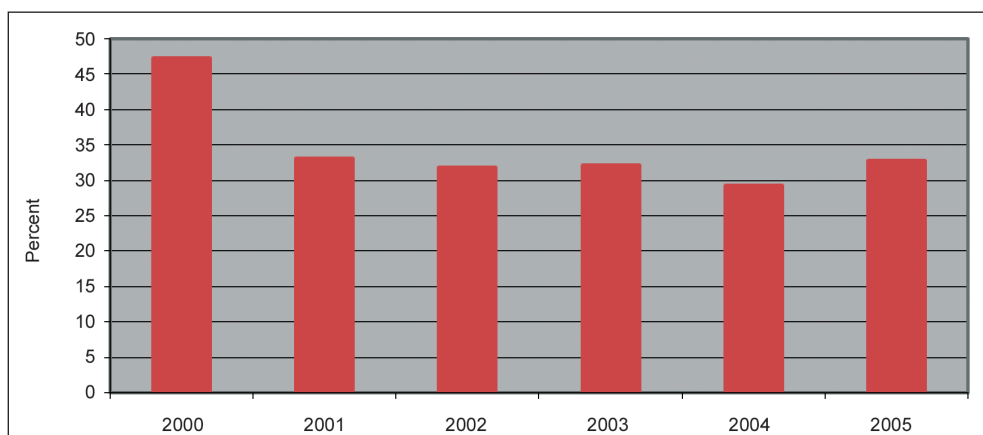
covering the period 2000 to 2005. We also examine the results from an internally administered questionnaire on known empowerment deals and complete the section with a broad summary of the Old Mutual Group (OMG) BEE deal (details of which are available in appendix A).

### 5.1 Employment Equity Commission Database

In this sub-section we consider data from the Employment Equity Commission (EEC) for the period 2000 to 2005. The analysis covers the following aspects: employment by skills, race and gender, wages by skills and race, hiring by skill, race and gender and firing by skills, race and gender. At the outset, it should be mentioned that the results should be treated with caution as not all firms reported as they should. The number of firms which submitted data to the EEC was not constant across the sectors and years. One reason for this is that from 2006 the threshold requirements for submission changed; the minimum workforce needed for submission was changed from 50 to 25 employees.

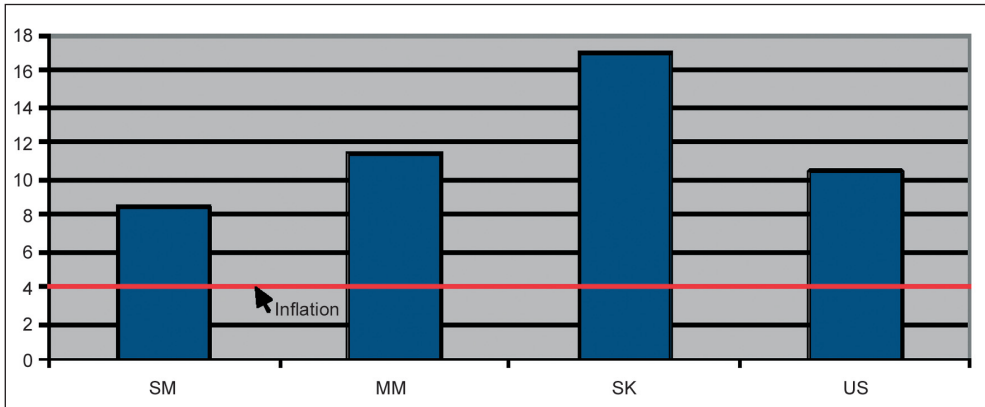
The first overall conclusion that can be drawn from the employment equity database is that with respect to skills development little has changed during the five year period under consideration as nearly a third of all jobs remain unskilled (chart 1). This is not a welcome development, as skills development is generally regarded as one of the catalytic factors for broad-based economic development. It is hoped that under ETSIP this situation can be rectified, but that firms should also strengthen and scale up efforts to develop skills at the firm level. In most developed economies this is a continuous exercise.

**Chart 1: Unskilled labour, 2000-2005**



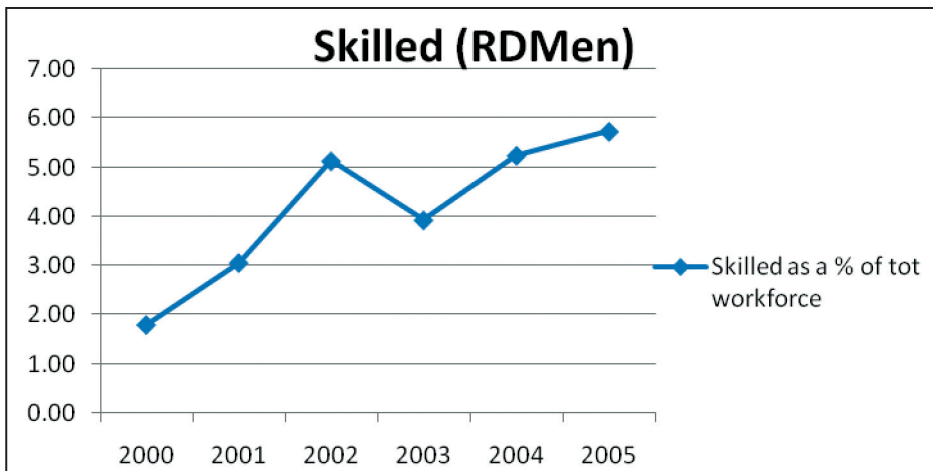
With respect to wage developments, the data shows that on average wages appear to have outpaced inflation. However a closer examination shows that wage increases for skilled labour has been much stronger than for semi-skilled and unskilled labour (Chart 2).

**Chart 2: Annual average changes in wages, 2001-2005**

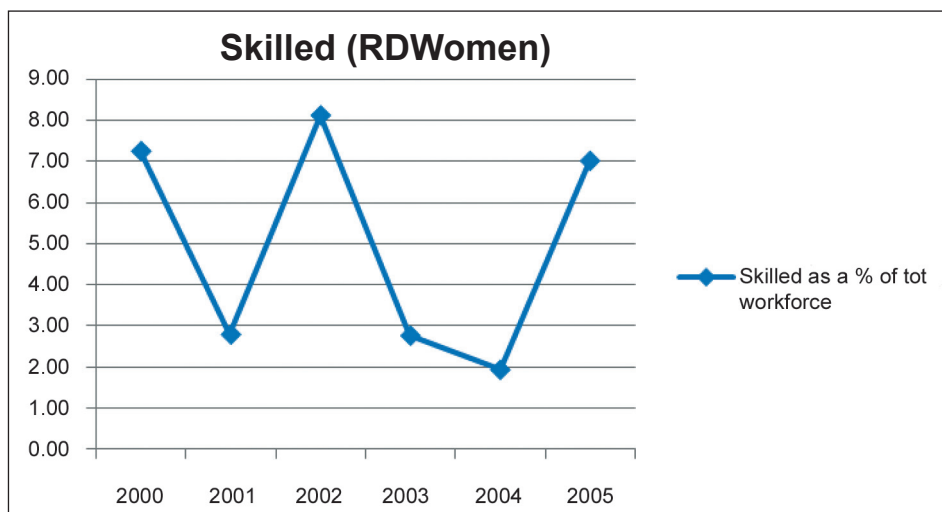


Another interesting observation from the database is the changes in the composition of male and female (racially disadvantaged) persons at the different levels of management over the years as a percentage of the total workforce. Below are two charts which show the trends for racially disadvantaged males and females respectively.

**Chart 3: Skilled Racially Disadvantaged Men**



**Chart 4: Skilled Racially Disadvantaged Women**



While the general trend is an upward one for the racially disadvantaged males, it appears that over the years the number of racially disadvantaged skilled women as percentage of the total workforce has been inconsistent.

## 5.2 Known Empowerment Deals

The aim of this section was to gather views of companies that are involved in Black Economic Empowerment (BEE). The questions referred to Affirmative Action (AA) policy and Broad-based Economic Empowerment (BBEE). A survey was conducted with 20 companies which were selected through newspaper articles based on their involvement in BEE deals. Aggregate data is used as the aim was to obtain an overall view of the economic sectors, without referring to specific companies. The assurance of anonymity made companies more willing to share information.

Although there were initial indications in the newspaper articles that these companies were involved in BEE deals, a number of them denied this involvement in the survey (refer to results underneath). It should be noted that from the 20 companies, 5 are State-Owned Enterprises (SOEs). The results were obtained through telephonic interviews and electronic responses; and the identified companies were categorized into different sectors. The response rate of the identified companies is 85 percent. Where an institution fell into more than one category, care over double-counting was taken.

**Table 9: Response Results**

Sector	No. of Firms	AA target reached?		Is skills shortage the reason?			wBEE broad-based?			BEE for a few elite?		
		Yes	No	Yes	No	Yes	No	Other	Yes	No	Other	
<b>Financial: non-banking</b>	4	3	1	2	2	2	1	1	1	2	1	
<b>Financial: banking</b>	1	1	0	1	0	1	0	0	0	1	0	
<b>Tourism: travel agencies and car rentals</b>	3	1	2	0	3	3	0	0	2	1	0	
<b>Mining</b>	2	1	1	2	0	2	0	0	2	0	0	
<b>Private: large companies operating in different sectors</b>	2	1	1	2	0	0	2	0	2	0	0	
<b>SOE</b>	5	5	0	4	1	1	4	0	5	0	0	
<b>Other</b>	1	0	1	0	1	1	0	0	0	1	0	

Source: Survey, 2007

**Table 10: Survey response rate**

Type of Sector	Number of Respondents	Value of BEE transaction ('000)
<b>Financial: Non-banking (Insurance, asset managers etc)</b>	4	Approx N\$17 000
<b>Financial: Banking</b>	1	Approx N\$ 8 000
<b>Tourism: Travel Agencies and Car rentals</b>	3	Approx N\$25 800
<b>Mining</b>	2	Approx N\$15 000
<b>Private: Large companies operating in different sectors</b>	2	Approx N\$10 000
<b>Government: SOE</b>	5	Approx N\$41 100
<b>Other</b>	1	Approx N\$ 800

Source: Survey, 2007

The values of the BEE transactions listed above should not be taken as representative of the respective sectors. Not all companies were able to list the values of their deals and of those that could list, not all amounts spanned over the same time period.

The definitions used are taken from the RSA Broad-based Black Economic Act of 2003 (refer to Section 6 for definition). Just over half (52.9 percent) of the companies surveyed believe that BEE is broad-based. When asked whether BEE is only for the elite in the country a surprising 70.6 percent affirmed that it is the case. The results were surprising because 70.6 percent of the respondent companies are involved in BEE deals.

The above could to an extent be explained by the *type* of deals in which the institutions are involved. Over half (66.7 percent) of the institutions involved in BEE deals have sold off shares to their BEE partners while 33 percent of the deals are procurement in nature. Only one deal was an equity partnership and another consisted of service provision.

It is thus evident that one should not only be satisfied with the fact that blacks are entering the economy. By the respondents' own admissions this is not being done in a broad-based manner. The issues of skills development and training; and active participation in the companies should also be examined. The aim is not to include the previously-disadvantaged and stop there. The aim is to *empower* people financially. While inconclusive (the sample size is very small due to lack of chronicled data on BEE transactions), the above survey proves useful in gauging the opinions of the economic industry players.

### **5.2.1 Lessons from the Old Mutual Group (OMG) deal**

The Old Mutual Deal was taken as a case study due to its strategy of including all Namibians from different classes and societies. It has been debated in the Namibian business domain whether BEE can really include all Namibians. Black Economic Empowerment is seen as a new vehicle for improving the lives of many Namibians. Broad-based Economic Empowerment (BBEE) is a new concept in the business world, subsequent to Affirmative Action (AA) and this appears to be the trend in other countries such as South Africa.

Not much can be said about the degree of success of the OMG deal as it is still in an infancy stage but one could draw a number of lessons. This deal covers different features of a broad-base deal and it includes issues such as ownership, skills development. The deal is furthermore, inclusive of various members of society, including unions, church groups, employees of the company as well as distributors and strategic business partners from different sectors of the economy, making it an intensive and integrated deal. What makes the deal more profound is the nature which the OMG goes about empowering the above. Much is expected from the partners and the benefits are performance-based. Please refer to (appendix A) for comprehensive coverage of the deal.

## 6. Perceptions about BEE in Namibia

This section presents the results of Windhoek based survey<sup>20</sup> on the public's perception about Broad-based Economic Empowerment. It mainly focuses on the public's understanding of the BEE and the perceived challenges facing the BEE process in Namibia. This was an opinion survey, thus inferences should not be drawn as the interviews being representative of Windhoek's population.

### 6.1 Methodological Issues

For purpose of the survey, the following definitions were adopted from the Republic of South Africa Broad-based Black Economic Empowerment Act of 2003. "**Black people**" a generic term meaning Africans, Coloureds and Indians; and "**Broad-based black economic empowerment**" meaning the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include but are not limited to:

- Increasing the number of black people that manage, own and control enterprises and productive assets;
- Facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises;
- Human resource and skills development;
- Achieving equitable representation in all occupational categories and levels in the workforce:
- Preferential procurement; and
- Investment in enterprises that are owned or managed by black people<sup>21</sup>.

Given that street surveys are challenging, it is important to ensure that the questions asked are easily understandable and relevant to the purpose of the study. In this connection, the respondents were required to answer the following questions:

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<sup>20</sup> On 19 July interviews were conducted at the city centre and Maerua Mall. On 20 July interviews were conducted at the Shoprite complex in Katutura, the Pick-and-Pay complex in Katutura, Soweto Market in Katutura, as well as the campus of the Polytechnic of Namibia.

<sup>21</sup> The definition is derived from the Republic of South Africa BEE Act of 2003, gazette on 09 January 2004

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- **In short what do you understand under Black Economic Empowerment?**

The purpose of this question was to determine whether the general public has an accurate understanding of BEE and what it entails. The question proved a useful tool in gauging public perception of BEE.

- **Is BEE broad-based or not (if not, why might this be)?**

This question was aimed at determining whether the public comprehended the range of the magnitude of BEE and why they might not view it as broad-based.

- **What do you want to see changing in current BEE process in Namibia?**

The purpose of this question was to engage the respondent in finding solutions to perceived faults with the broad-based BEE process in Namibia.

- **After independence do you think that economic transformation took place? (More previously disadvantaged Namibians being well-off or in higher position)**

The question was in two parts and served as a fitting conclusion to the interview.

## **6.2 Results of the Survey**

In total 192 people responded to the survey. With respect to the first question on the public's understanding of BEE, the majority of the people interviewed had a poor or incorrect understanding of BEE. As may be seen from table 10, the lack of understanding was found not to be dominant within a particular racial or gender group.



**Table 11: Public understanding of BEE**

	CORRECT	INCORRECT	TOTAL
Black Male	21	58	79
Black Female	13	40	53
White Male	3	5	8
White Female	1	4	5
Unspecified <sup>22</sup>	13	34	47
<b>TOTAL</b>	<b>51</b>	<b>141</b>	<b>192</b>

Source: Survey, 2007

With respect to the first part of the second question on whether BEE is broad based or not, nearly half of the respondents felt that it is not. About a fifth of respondents believe that BEE is broad-based. From the respondents' point of view, an observation could be made that the intended benefits (tangible or otherwise) of BEE are not directly experienced by the citizens of the country.

**Table 12: Is BEE broad-based**

	Is BEE broad-based?	Is BEE broad-based?	TOTAL
	1st day	2nd day	
Yes	23	18	<b>41</b>
No	48	46	<b>94</b>
Other <sup>23</sup>	18	32	<b>50</b>
No Answer	4	2	<b>6</b>
<b>TOTAL</b>	<b>93</b>	<b>98</b>	<b>191</b>

Source: Survey, 2007

<sup>22</sup> A respondent is classified under Unspecified if his/her gender and/or race were not specified on the answer sheet

<sup>23</sup> Answers which were not explicit "yes" or "no" fall in this category. This includes "sometimes," "I don't know" and like.

When asked why they feel that BEE in Namibia is not broad-based, the majority of respondents felt that gaining benefits from broad-based BEE programs depends on membership to certain political organisations and on one's ethnic background. Of those that felt that BEE is not broad-based, over half believed that BEE is only for a selected few.

Overall the outcome to this question suggests that the respondents do not believe that BEE is broad-based. It also confirms the perception that BEE economically benefits only a selected few. These conclusions raise a number of pertinent policy questions. One of the intended objectives of BEE is to redress current disparities resulting from past policies. It could also be argued that BEE would translate into higher economic growth and increased social cohesion. It is debatable if BEE would really have a positive impact on firms' performance and hence economic growth. The potential benefit of social cohesion is more plausible. However, if the public perceives BEE to be meant for a few elites only, then this perceived benefit might be undermined. This underscores the importance of a clear strategy of economic empowerment.

### **6.2.1 Challenges facing the BEE process in Namibia**

The opinion survey also attempted to gauge the public's perceptions about the challenges facing the BEE process in Namibia and whether they think that sufficient transformation took place since independence. A wide range of responses were offered, some practical and others not so realistic.

On the whole, according to those interviewed, the main challenge facing the BEE process is education. Those interviewed felt that not enough is done to educate the public on the issue. The opinion that the process be more inclusive of society at large also arose. This includes greater participation in BEE, endeavours from women as well as those at "grassroots" levels.

Among non-blacks, many agreed that past economic injustices should be redressed but also expressed concern that they were being excluded from economic progress. One respondent pointed out that a white child born at the time of independence would be getting ready to complete his/her secondary education and enter into an economy that would discriminate against them for "the sins of their fathers." The respondent suggested that the BEE process have a time limit on it and that after that limit has expired society revert back to the free-market system.

A general concern raised by a number of respondents was that of “all talk and no action.” While the majority of respondents agreed with the principle of BEE, many were quick to point out that there does not appear to exist a true political will amongst the government to implement the programs at grassroots levels to the benefit of all. Corruption and the perception that BEE benefits a few only was a common theme as well.

Regarding the question on whether people think that after independence economic transformation took place or not (more previously disadvantaged Namibians being well-off or in higher position), the following issues were raised. Many respondents could not give a straight “no” or “yes” to the question. Any answer not explicitly stated as “yes” was therefore categorized as “no”. That includes “somehow,” “I cannot compare,” “not really, just a little bit” and the like.

**Table 13: Respondents’ opinions on economic transformation since independence**

	YES	YES	NO	NO	TOTAL
	Personally	Generally	Personally	Generally	
Black Male	25	26	9	8	68
Black Female	25	19	14	15	73
White Male	n/a	n/a	n/a	n/a	
White Female	n/a	n/a	1	1	2
Unspecified	12	8	8	12	40
<b>TOTAL</b>	<b>62</b>	<b>53</b>	<b>32</b>	<b>36</b>	<b>183</b>

Source: Survey, 2007

While on the whole respondents agreed that economic transformation has taken place since independence, it appears that more males than females concur that that is the case. One can conclude that, all things equal, women across the colour-

barrier perceive themselves less better-off than their male counterparts. The above results should serve as a flagpole, especially considering that women are classified as previously disadvantaged.

### **6.3 Conclusions on the Survey**

The majority of the people interviewed had either never heard of BEE, nor the term broad-based and what it entails. Comprehensive education of the public of what Broad-based Economic Empowerment entails (in all the eleven indigenous languages) would be a step forward in the right direction.

Only a small minority was aware of the different charters and programs already in place, or in the process of being put in place, meant to benefit those previously disadvantaged in the different sectors of the economy. On the same topic of education, it should also be stated how BBEE benefits the nation as a whole and how one can go about acquiring the tools put in place meant for empowering the nation.

While the aim of BEE is to empower the “have-nots,” the government is mindful not to alienate the Previously Advantaged Now Disadvantaged members of society (PANDAs) and has put initiatives forward which focus on Broad-based Economic Empowerment. Currently Affirmative Action and BEE (the two were seen as different sides of the same coin by a lot of the respondents) are negatively perceived by the respondents. Whether through hearsay, media reports or from personal opinions, many respondents felt that BEE discriminates on ethnical and political grounds, which is unconstitutional. Thus one could conclude that the challenge does not only lie with educating the public on BEE and BBEE, but on correct and legal/ethical implementation of programs.

## **7. Concluding remarks**

Since independence Government has put in place a number of frameworks aimed at socio-economic transformation with a specific view to bring the previously disadvantaged communities in the economic mainstream and uplifting their standard of living. Preliminary indicators suggest mixed results. While the Government has been successful in some areas, such as stabilizing the economy, expanding the outreach of health and education services, bringing down poverty and income inequality levels, in other areas the picture looks less rosy. Poverty is still widespread, income inequality remains high, despite a moderate reduction between 1993/94 to 2003/04, and unemployment remains unacceptably high. Moreover huge investment in education appear not to be yielding the desired outcomes, hence the introduction of the education and training sector reform program with assistance of the World Bank. In a nutshell, socio-economic disparities along ethnic, gender and regional lines remain a challenge. In this regard, the proposed framework for economic transformation and social empowerment could go a long way in addressing the transformation. The private sector has already reacted positively to the proposed TESEF through launching of industry specific charters aimed at transformation.

A challenge to the transformation agenda going forward would be whether it is broad-based or narrow-based. Current perceptions are that transformation has been rather narrow-based leading to the formation of the so called “elites”. It is important for transformation to be broad-based, because it can foster deeper social cohesion necessary for accelerated and sustained economic growth. This means that the transformation agenda must look beyond the narrow objective of ownership and control of enterprises. Equally important is adequate investment in human capital, and a supportive environment for private enterprise and entrepreneurship to flourish, including through appropriate access to start up capital and supportive services. It would also be important for broad-based empowerment to be overseen, and for a specific timeframe to be attached to its implementation. For example, the financial sector charter aims to have transformation in the financial sector by 2017. In a way, national development plans, including Vision 2030 contain all the key elements of broad-based economic transformation. The challenge is to see that all aspects of these plans get properly implemented. In the end a key question that need to be kept in mind is whether Broad-based Economic Empowerment as envisaged lead to job creation and a meaningful reduction in poverty and income inequality, including between regions and gender. If it does then it would be worthwhile implementing it,

but then again, these are also objectives of national development plans. Furthermore, there are some under research areas when it comes to broad-based empowerment, such as what would be the costs and benefits of such policies at a firm level. In an increasingly globalized world, could it be that broad-based empowerment policies make Namibian firms less competitive.

In conclusion, the paper raises the following issues:

- How should Namibia ensure that the overall framework does not regulate all industries to detail but be a more general guideline for sectoral charters?
- Whether clear benchmarks, timeframes and review periods would need to be set up.
- The need for establishing regulatory bodies to review progress on the targets set in charters.
- Realistic targets in terms of capacity of industries to be set, thus not to overstretch industries and whether increased commitment is needed from the industry.
- Finally, the concern of public education on BBEE and its operations remains.

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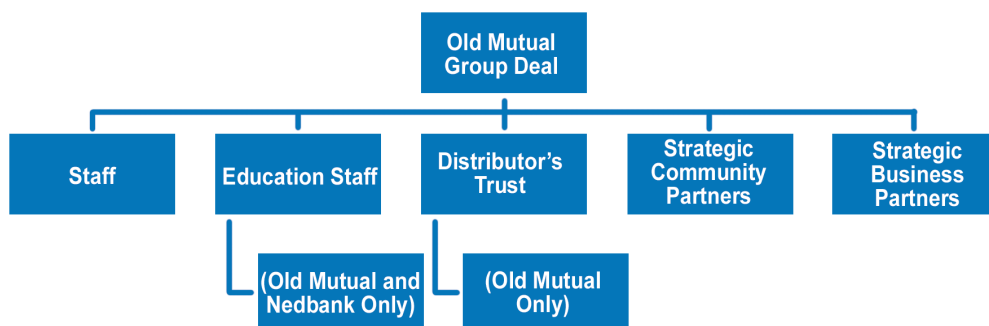
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## Appendix A: Old Mutual - a Case Study of a BEE deal

The Old Mutual deal was taken as a case study due to its strategy of including all Namibians from different classes and societies. On 5 September 2006 the Old Mutual Group (OMG) announced in a press release that it was partaking in a BEE deal worth N\$307.7 million. This is claimed to be one of the biggest BEE deals ever in Namibia. Its BEE partners includes employees, strategic business partners, distributors, union members and their families, women’s organization and church groups. According to Mr. Johannes !Gawaxab, MD: African Operations of Old Mutual, it is “not only the largest BEE deal ever undertaken in Namibia but also the most broadly based. The benefits of the transaction will enhance the lives of Namibians across the country”

### Structure of the deal

Figure 1: Old Mutual Group Deal



Source: Old Mutual Group

The Old Mutual group offered three transactions through its subsidiaries in Namibia, viz. Old Mutual Namibia, Nedbank Namibia and Mutual & Federal Namibia. These transactions are valued at N\$307.7 million and are divided into the following categories; Black equity ownership in Old Mutual Group companies in Namibia will include 13.31 percent of the value of the Old Mutual Namibia business (N\$220.5 million), 11.1 percent of the value of the Nedbank Namibia business (N\$67.4 million) and 11.42 percent of the value of the Mutual & Federal Namibia business (N\$19.8 million).

Black ownership will amount to 12.6 percent of the Namibian businesses while women will account for an estimated 48 percent of the beneficiaries of the OMG transaction. From the beneficiaries, over 1000 employees (from OMG) will receive shares worth a market value of N\$96 million, including managers. Shares worth N\$35 million were allocated towards a Distributor's Trust. The trust is to provide access to capital as a plan to help develop black financial advisors and brokers.

**Beneficiaries other than employees include the following:**

- 1) Trade union members viz. the MUN, MANWU, TUN, NAFU, PSUN, NUNW, NATAU, NANTU, NAMPWU and NAFINU. The trade unions will benefit N\$50 million worth of shares, which will be used to set up an Education Trust for the trade union members and their families. The fund will provide tertiary education scholarships of 10 bursaries on average per annum over 10 years to trade union members and their families *provided* that they are clients of Old Mutual and Nedbank.
- 2) The Strategic community partners such as Women's Action for Development (WAD) and large church groups, namely: The African Methodist Episcopal Church (AME), Evangelical Lutheran Church in the Republic of Namibia (ELCRN) and the Evangelical Lutheran Church in Namibia (ELCIN). These partners will receive shares worth N\$22.5 million. The churches were included on the basis that more than 90 percent of Namibians are Christian, and a large part of them Lutheran.
- 3) The strategic business partners are allocated shares worth N\$61 million. They comprise of the Central, Coastal and Northern Consortiums, each comprising of various business entities.

The Central Consortium comprises of: Fox Investments Namibia (45 percent), which consists of 8 shareholders, Ripanga Investments Holdings (25 percent) which consists of 8 shareholders, Prudent Investments (15 percent) which consists of 5 shareholders and Latenda Investment Holdings (15 percent) which consists of 7 shareholders.

Furthermore, the Coastal Consortium comprises of Manmar Investments with 4 shareholders while the Northern Consortium consists of Northern Empowerment investments with 8 shareholders.

### **Features of the deal:**

- The OMG BEE deal is transparent and open to the public.
- It is one of the most integrated and intensive deals in Namibia. It covers a wide spectrum of business partners and community organizations. This makes it a broad-base deal in terms of inclusion of different people.
- For the consortiums that include well known individuals and business people as directors, there are several terms before entering the deal. They may not participate in other forms of businesses which might give rise to a conflict of interest as a result of their participation in the OMG deal. They will not receive direct remuneration but it is based on performance bonuses. They are also limited to the number of company boards on which they serve. This is to ensure that they can dedicate sufficient time and energy to the deal.

### **Limitations of the deal:**

- The employee part of the deal is based on shareholdership, which might not include most of the employees and it is not clear whether provision has been made for employee skills development. In addition, no particular reference has been made to scholarships for employees.
- Although most of the strategic business partners are not having conflict of interest with OMG competitors, there is an element of having more people that are already empowered. Thus there have been considerable queries from the local media and public around the broad-based issue.

### **Benefits to OMG:**

- The strategic business partners are chosen based on their “ability to add value to the current business by attracting new clients and driving transformation”. They also had to demonstrate their ability to make an upfront capital contribution of 2.5 percent of the value of their allocation. Besides the fact that most of the shareholders are influential members of society in senior positions in the private and public sector, most of them have diverse economic portfolios: from media to chemical processing. It is their job, through these companies, to “enhance the image of the company (OMG) and its partners.”

- One of the prerequisites of the union members and their families participating in the scholarship program is that they should be members of Old Mutual and Nedbank Namibia. This in-turn will attract more customers to these companies to benefit from this scheme and boosts its potential client base.
- OMG recognizes that competitors have concluded BEE deals and in order to retain and attract new business they have to do the same. This will not only improve the image of the Namibian subsidiaries of the group but also help retain and attract (black) employees. Additionally, this will motivate employees to contribute to the growth and development of the companies.
- The Church groups can be beneficial as it can create different platforms for the Old Mutual group to market their products and expose them to different customer base. These will in-turn boosts their products.

Since this is a relatively new deal the degree of success of this deal is not known. One could nevertheless make a few observations concerning this deal. The deal covers different features of a broad-base deal and includes issues such as ownership, skills development and is inclusive of different people in our society making it an intensive and integrated deal.

**BROAD-BASED ECONOMIC EMPOWERMENT:  
THE EXPERIENCE OF MALAYSIA**

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**1. The Origin of Malaysia's New Economic Policy (NEP)**

What came to be called the New Economic Policy (NEP) in Malaysia was initiated and developed in response to massive economic disparities along ethnic lines. Fifty years ago, in 1957 when Malaya achieved its independence from British colonial rule, it had a population of 7 million; nearly every other resident was of recent Chinese or Indian immigrant stock. Today, in the larger Malaysia – which since 1963 includes also the two North Borneo States of Sabah and Sarawak - there are some 25 million citizens; one in three being Chinese and Indian Malaysians and two of three are Malays or members of other indigenous groups of peoples, collectively referred to as Bumiputera (sons of the soil).

The economy of Malaya at Independence was deeply segregated as between ethnic groups: in geographic location, in types of economic activity and in levels of livelihood. As compared with the non-Bumiputera:

- Malays form a much higher proportion of population in rural areas than in towns;
- Malays populate the relatively poorer States and occupations to a higher degree;
- Malays form a higher proportion of the workforce in low productivity traditional agriculture and a lower proportion of the workforce in high productivity modern industry and commerce;
- within given industries and enterprises Malays typically hold lower-echelon positions;

- Malays have property rights over only about one-third of land under agricultural cultivation;
- Malays have a significantly lower share of ownership, control and management of industrial and commercial enterprise and , as a result, less control of their own economic destiny;
- the average Malay has a much lower standard of living.

These disparities persist today and remain major issues for policy debate and formulation.

In May 1969, following general elections that year, the tenuous social balance between ethnic groups broke down into vicious rioting. This was quickly and effectively met by the declaration of a state of emergency, vesting all power in a National Operations Council (NOC), headed by the then Deputy Prime Minister Tun Abdul Razak. Civil order was quickly restored and the NOC spent the next year and a half laying the political and institutional basis for what they saw as a viable and prosperous multi ethnic Malaysia of the future. The NEP was borne and presented in the Second Malaysia Plan (SMP), issued in early 1971, when the country returned to Parliamentary rule. The NEP was further elaborated in the Mid Term Review of SMP in 1973.

The socio-political conviction on which the NEP was based was clear:

“National Unity is unattainable without greater equity and balance among Malaysia’s social and ethnic groups in their participation in the development of the country and in the sharing of the benefits from modernization and economic growth. National Unity cannot be fostered if vast sections of the population remain poor and if sufficient productive employment opportunities are not created for the expanding labour force” (SMP, pp.3-4).

The basic formula for an effective NEP was set out in no uncertain terms and the political commitment to its implementation were emphatic:

“(The NEP) incorporates the two pronged objective of eradicating poverty, irrespective of race and restructuring Malaysian society to reduce and eventually eliminate the identification of race with economic functions ... (The Government) will spare no efforts to promote national unity and develop a just and progressive Malaysian society in a rapidly expanding economy

so that no one will experience any loss or feel any sense of deprivation of his rights, privileges, income, job and opportunity ... To achieve our overall objective of national unity, Malaysia needs more than merely a high rate of economic growth. While devoting our efforts to the task of achieving rapid economic development, we need to ensure at the same time that there is social justice, equitable sharing of income growth and increasing opportunities for employment.... The Plan must succeed as it is vital to our survival as a happy and united nation" (SMP, p. v).

## 2. The NEP in Summary

The NEP was designed to enable the Bumiputra community to enjoy the fruits of development on par with the other ethnic groups, who were then and still remain economically far more advanced. This was to be achieved through a process of growth and modernization so directed as to bring about gradual restructuring of employment and production patterns in all sectors and at all levels, so as to be in rough accord with ethnic population ratios.

The NEP is *not* a policy purposely to discriminate against non-Bumiputra ethnic communities or withdraw from them the levels of income and wealth they have already gained. On the contrary, it seeks to ensure that *increments* in the nation's wealth and income redound more fully to the Bumiputra and not disproportionately to the minority. To achieve this, the Bumiputra must eventually participate on an equal footing in the modern high productivity sectors. The NEP therefore places emphasis on advancing economic productivity of the Bumiputra, on their education and training, on the adoption and spread of modern technology and on a business friendly government. The NEP, therefore, is firmly a policy for sustained growth with emphasis on a gradual change in distribution as between ethnic groups, and at the same time a transformation of social institutions and attitudes. In other words, economic development is indeed important. Yet, growth alone, no matter how rapid it may be, is not enough. Distribution is an objective of equal importance.

The twin objectives of NEP are the eradication of poverty for all Malaysians irrespective of race and the correction of the racial economic imbalances in terms of income, employment and wealth. This required action on many fronts:

*First*, it was accepted that the Federal and State governments and their various agencies and institutions would have to play a more active and interventionist role, so as to ensure that the Malays obtained a fair opportunity to gain more ready entrance

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into, and equality within, the modern sectors. New institutions would therefore be set up and old ones sharpened to assist the Malays.

*Second*, the policy framework had to be consistent with and conducive to a high rate of economic growth. This would alleviate general poverty in the country by raising the general income level, provided growth was fairly evenly spread. It would enable the non-Malays to grow without hindrance while allowing for accelerating Malay entry into the modern sectors. Growth was also necessary to create those additional resources, required to undertake the economic and social reforms envisaged, without serious pain and dislocation to the system. To achieve such a high performance, the private sector was to be given incentives to spearhead the growth of the economy, especially in its rapid industrialization efforts and export drive. The challenge was to ensure both rapid growth and an improving racial economic balance. It was recognized, however, that beyond a point, the pursuit of these objectives could become competitive rather than complementary. The Government would therefore have to exercise flexibility in case of severe conflict.

*Third*, an active full employment policy would be pursued so as to absorb the already underemployed and unemployed labour force, while at the same time catering for new entrants to the labour market, stemming from population growth and making room for those wishing to move to new jobs in the modern sector of the economy. Economic growth had to be encouraged and guided along an employment intensive path. The full employment policy, like the rapid economic growth policy, was therefore an indispensable and a strategic element of the NEP.

*Fourth*, to develop the capability of the Malays: Vigorous programmes of education and training of the Malays would be undertaken so as to enable them to participate actively in the development process. For all Malaysians, education was assigned the important role of laying the foundation for the creation of a new common value system among the younger generations for the attainment of national unity and racial integration.

At its core, therefore, the NEP was designed to achieve no less than a complete social and economic transformation. It sought to achieve the emergence of a new Malaysian society which would transcend existing ethnic, cultural, religious and economic differences and provide opportunities for advancement for all Malaysians. After 1969, it seemed there was no other option, otherwise the country would return to anarchy and chaos.

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### **3. Some Instruments of the NEP**

Consistent with – and indeed as part and parcel of – the pursuit of this strategy, Malaysia introduced a set of policies which are characteristic of the NEP:

#### **3.1 Foreign Investment Committee (FIC) and the Industrial Coordination Act (ICA)**

For the effective pursuit of the NEP objective to correct ethnic economic imbalances, specifically in the patterns of employment and in ownership and control of enterprises, the Government established what was called the Foreign Investment Committee (FIC) and introduced the Industrial Coordination Act (ICA). This became a powerful agent of change in the private corporate sector, focusing on the balance of equity ownership as between foreign and domestic investors. However, only sporadically and only in the early years was the FIC active in the pursuit of employment restructuring, even though this had been the intention when NEP was first formulated. Also, the name notwithstanding, the FIC has concerned itself not only with the role of *foreign* investment; all acquisitions of assets above stipulated magnitudes, mergers and take-over of companies – whether they involved foreign or just domestic investors – have to be approved by FIC.

The NEP at its inception in 1970 envisaged that by 1990 the ownership of capital would be such that 30 per cent was owned by Bumiputera as against no more than 2 per cent in 1970, 40 per cent by non-Bumiputera nationals as against some 35 per cent in 1970, and 30 per cent by foreign investors as against well over 60 per cent in 1970. The FIC was mandated to formulate policy guidelines on foreign private investment, to monitor progress and make recommendation for investment policy changes, to supervise ministries and agencies concerned, to regulate the acquisition of assets, mergers and take-over of companies.

Over time and as Malaysia has developed and its economy has been ever more integrated in the global economy, the FIC has changed rules and practices so as to allow the more unencumbered flow of market forces in respect of corporate equity structures. However, the FIC is still in place and retains its functions as an important regulatory and monitoring agency.

#### **3.2 Privatisation**

In the early 1980s the Government initiated what became a deep-going privatisation process. A proactive Malaysian Privatisation Plan was prepared by a consortium of

local and foreign consultants, approved and published. Privatisation included turning Government departments and agencies into corporations as well as management buy out of Government companies. The record for the past 25 years shows that in all 500 projects were privatised and well over 100 000 public sector employees were transferred to the private sector. Privatisation remains today a major aspect of national development policy. Where possible, it is so directed as to enhance the participation of Bumiputera ownership, employment and business opportunities in line with NEP objectives.

### **3.3 Public Procurement**

Government departments and agencies, as part of both operation and development activities, provide a major market not only for direct employment (up to 10% of the total workforce), but also for services and products supplied by the private sector. In various ways Malaysia seeks to use this market power to contribute to the NEP objectives. Preferential treatment of Bumiputera suppliers is the order of the day for some categories of products and services, contracts for standard building and construction are awarded to Bumiputera entrepreneurs and corporations, business opportunities are created as part of special Bumiputera vendor programmes etc. Over time this has had positive effects and the empowerment of Bumiputera through public procurement continues as a major thrust today. Yet, the system – as practiced – has also led to a state of over dependence by many Bumiputera entrepreneurs on preferential public procurement. Moreover, the system has proved difficult to operate with both effectiveness and perceived fairness.

## **4. NEP Debate and Decision**

It is in the nature of economic policies in this area that they raise controversy. And so they should. It may not be seriously contested that – in the interest of a cohesive and viable Malaysian nation – the successful attainment of the NEP objectives would be of lasting benefit to each and all ethnic groups. However, the implementation of NEP policy measures, each seen by itself, will be felt – and rightly so – to have costs borne disproportionately by the non-Bumiputera while giving benefits to the Bumiputera which are discriminatory for the non-Bumiputera. An illustration of this may be the imposition of ethnic quotas in public university admission so as to give effect to the agreed need to build competence and capacity of the Malay work force. Also, some benefits have to be accorded now in order for benefits to flow much later. An illustration of this may be the terms of “the social bargain” which created the basis for the immediate right of citizenship for a million or more immigrant non-

Malay residents against the implied long term commitment to ensure that the Malays be roughly at par with the non-Malays in the future economic life of the nation. And, moreover, the very purpose and justification for specific NEP policy measures may be defeated in actual implementation, resulting in misdirected preferences, serious leakages and costly inefficiencies. Much of the opposition to the NEP is based on the more blatant such misuse of NEP instruments, giving the whole NEP effort a bad name in some circles. Illustrations may be the reservation of a minimum of 30% of new equity holding for Bumiputera and the preferences accorded in public procurement.

Policy decisions in Malaysia have often emerged in part through a special process of consultation between leading personalities in political parties and interest groups. While for the original NEP the imprint of Tun Razak himself is very much in evidence, he successfully sought to build a broad consensus in support of the new strategy and its specific policies. One such step was to create what was called the National Consultative Council which allowed influential representatives of a wide range of political groupings and economic interests to deliberate freely but in closed sessions the needs and options for handling the challenges to national cohesion and development. Similarly, in 1989 when the planning period of 20 years of NEP restructuring was coming to conclusion, a National Economic Consultative Council (with the Malay acronym MAPEN) was convened, again with a membership representing a cross section of Malaysian society. Then, in 2000 when the National Development Plan (NDP) for the 1990s was coming to a close, a second National Economic Consultative Council (referred to as MAPEN 2) was convened. And earlier this year, as a follow-on to the National Mission as formulated in the Ninth Malaysian Plan, a similarly constituted 50 member National Unity Advisory Panel was called into action.

While the Government paid considerable attention to the findings and recommendations of these Councils, they were not always accepted in policy formulation and implementation. Yet the deliberation in the Councils provided both general orientation and specific input for Government decision making. These Councils have allowed its broad and influential membership to gain a more balanced insight into the nature of the challenges to nation building and to find some common ground. Moreover, to an extent, the Council deliberations have helped create for its membership a sense of ownership of the NEP.

Ever since its origin, the NEP itself and – even more- its implementation have been hotly contested. The central objectives of the NEP have had the full accept

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of successive Governments to this day, but they have been pursued with varying determination and consistency. The initial formulation of the NEP and its subsequent elaboration in the early years could draw on strong and focused political will. However, the success of the strategy depended crucially on close monitoring of implementation for impact, effectiveness and shortcomings. The monitoring of the course of restructuring of the ethnic employment pattern in the private sector, which is such a critical element in the NEP, has been particularly weak. So has the build-up of statistics on the ethnic distribution of different forms of capital. This has left the Government without the information base needed for confident decision making on how best to interact and dialogue with the private sector so as to gradually come to grips with the ethnic disparity issues.

## **5. The Outcome: Economic Growth and Ethnic Economic Disparity**

The NEP has shown itself, in spite of some shortcomings, to be an effective policy for dealing with the economic and ethnic problems of Malaysia. GDP per capita in real terms has increased by three to four per cent a year on average over the 50 years since Independence. Ethnic income disparity, already very high in 1957, deteriorated further in the years up to the early 1970s when NEP was introduced. In 1990, after two decades of NEP, the income disparity in favour of the Chinese as against the Bumiputera had been reduced to nearly 7 to 4 as against 9 to 4 in 1970. Since 1990, in fact since the mid 1980s, there has been no further sustained improvement in the ethnic income ratios. Now, however, the recently announced National Mission is set to not only maintain the rate of growth in per capita GDP at well over 4%, but also to bring in an epoch of sustained gradual correction in the ethnic income ratios, specifically to bring the ratio of Chinese to Bumiputera income down to 6 to 4 in 2010 and to 5 to 4 in the course of the 2020s. This is all reflected in Table A.

While the figures in Table A need further checking and revision, they suffice as background to the story of how growth in Malaysia as experienced since 1970 and as now foreseen to 2020 is reflected in levels of income of the two major ethnic groups: the Bumiputera and the Chinese Malaysians. Several things stand out:

- Throughout the decades high rates of real growth of income have been experienced for the nation as a whole and for each of the two major ethnic groups. Each and all groups have moved decisively and with few set-backs towards higher levels of income and livelihood.

- In the course of the first two decades of NEP the average mean income of households more than doubled for the Bumiputera and increased by two-thirds for the Chinese. As a result, the ratio of average income for the Chinese as compared with the Bumiputera was reduced from 2.3 to 1.7. Yet, the gap in average incomes did not contract, it widened.
- Growth was further accelerated in the years after 1990 and – the set back in 1997-98 notwithstanding – by today the mean household incomes have roughly doubled for Bumiputera and Chinese alike. During this period since 1990 there appears to have been a slight easing in the disparity ratio, but the gap in average incomes of Chinese over Bumiputera has widened substantially.
- The high rate of growth is foreseen to continue unabated in the years to 2020. Government projects that by 2020 GDP per capita will be of the order of USD20000 (in PPP equivalents), which is within the range of income levels of today's so-called developed countries. Moreover, the Government foresees that Bumiputera income levels will gradually be catching up with the Chinese, reducing the disparity ratio to a more manageable level of 1.35 by 2020, albeit without narrowing the size of the gap itself.

**Table A: The Outcome  
Mean Monthly Household Income by Ethnic Group 1970 to 1990 and to 2004 with targets for 2010 and 2020 (all in  
Malaysian Ringgit and 2004 prices)**

	1970	1970 to 1990 growth rate	1990	1990 to 2004 growth rate	2004	2004 to 2010 growth rate	2010	2010 to 2020 growth rate	2020
Household mean income									
Bumiputera	620	4.2	1400	4.9	2720	4.9	3620	4.9	5840
Chinese	1420	2.7	2430	4.4	4440	3.5	5450	3.8	7880
Malaysia	950	3.1	1740	4.6	3250	4.2	4250	4.2	6420
Rural	720	3.5	1420	2.0	1880	3.6	2320	4.5	3620
Urban	1540	2.2	2390	2.6	3960	2.8	4670	3.8	6150
Chinese household Income									
advance on Bumiputera									
Ratio	2.3		1.7		1.6		1.5		1.35
RM gap	800		1030		1720		1840		2040
Urban household Income									
advance on rural									
Ratio	2.1		1.7		2.1		2.0		1.7
RM gap	820		970		2080		2350		2530

Note to Table A.: These are not official data series, they are author's estimates based mainly on household income survey data for past years (not all readily comparable), on national cost of living series and on information drawn from the Ninth Malaysia Plan. Note that – as implied (but not shown) in the figures of the table – while in 1970 roughly three out of four Malaysians were recorded as living in rural households, by 2020 less than one in four households are foreseen to come into that category. This explains why recorded rates of growth for the (low) rural and (the much higher) urban income levels separately both are (for some intervals) lower than for the population as a whole. Note also that separate estimates are provided in the Table for only Bumiputera and Malaysian Chinese, while the data for Malaysia are inclusive of all groups, i.e. also Malaysian Indian and the category Others.

The registered evolution of ethnic income ratios is closely mirrored in the achievements towards the much debated 30% target by 1990 for the Bumiputera share of corporate equity; a share which in 1970 was only 2% and expanded to just under 20% in the mid 1980s. From then on up to the present, the share has, at best, remained at that level. Here again, the National Mission foresees a resumption of progress so as to reach 30% by 2020.

When in the mid 1980s Malaysia faced a recession caused largely by ill fortunes abroad, the Government's efforts turned to policies and incentives for regaining the momentum of growth. The privatisation process was accelerated and extended and affirmative action in pursuit of the restructuring objectives of the NEP was placed on "the back burner", notably in respect of ownership and control of enterprises. On its own terms, namely to quickly overcome the stagnation and to regain the path of rapid growth with its attendant benefits, the new policies were very successful: The Malaysian economy grew at the remarkable rate of around 9 per cent a year in the decade from 1987 to 1997.

So successful was this shift in policy in the mid-1980s that in 1990, at the end of the First Outline Perspective Plan which had embodied the NEP, a Second Outline Perspective Plan for the 1990s (OPP II) was designed and adopted, keeping the restructuring objectives on the back burner – albeit still on the stove – and pushing the overall economy forward at its brisk pace. The crisis that arose in mid-1997 again set the economy back, further strengthening the forces for relaxation of regulations designed to bring about restructuring. This relaxation was not limited to but most evident in respect of ownership and control of enterprises.

The shift in policy in the mid-1980s is perhaps best seen as a pragmatic response to a situation arising from adverse external conditions. The consolidation and codification in 1990 of the more relaxed application of NEP restructuring regulations appear to have been more a result of deliberate Government choice. By that time, in 1990, rapid overall growth, if it could be sustained, was felt by the Government, as well as by influential and vocal beneficiaries, to outweigh what was seen as more uncertain economic and political advantages of a return to the more rigorously applied affirmative policies of the past. This view prevailed in Government policy through the 1990s, and appears to have dominated the development strategy advanced in the Eight Malaysia Plan to 2005.

There can be only limited value in speculation about what would have been the state of the economy, if the Government had made different strategic choices, particularly

for the 1990s as set out in the OPP II. Arguably, a return in, say 1987, to the activist affirmative strategy pursued prior to the recession in the mid-1980s might have slowed the pace of growth over the decade to 1997. At the same time, however, the disparity ratio might have improved rather than deteriorated in the 1990s.

## **6. The NEP Today**

The original NEP was developed in a long term perspective with targets to be achieved within the first 20 years. In 1990 the framework was reoriented into the *National Development Policy* (NDP) for the 1990s and presented in the perspective of *Vision 2020*, outlining the aim of Malaysia attaining developed nation status by the year 2020. While specifics of policy have changed over the decades, the core NEP objectives of national unity, growth and social equity have remained – although with shifting emphasis. In 2005, a new policy and implementation framework – *The National Mission* – was drawn up, outlining the approach to be taken to achieve Vision 2020.

The National Mission is a framework aimed at obtaining greater impact and performance. It identifies five key thrusts:<sup>1</sup>

*First:* To move the economy up the value chain so as to sustain a growth rate of at least 6%. For Malaysia to be successful within today's increasingly competitive market place, moving out from its "middle development" stage towards a human capital driven economy, this will require:

- Increasing the productivity, competitiveness and value added of established activities in agriculture, manufacturing and services sector;
- Generating new sources of wealth and upgrading employment opportunities in technology and knowledge intensive sectors such as biotechnology and skills based services;
- Giving a lead role to the private sector, enhancing small and medium enterprise development, increasing public-private partnerships and attracting targeted high-quality foreign direct investment.

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<sup>1</sup> This is author's summary of The National Mission, 2006-2020 section in the Ninth Malaysia Plan 2006-2010, pp. 14-18, which for each thrust gives further specific content.

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*Second:* To raise the capacity for knowledge and innovation so as to reach specific targets set for educational improvements, for research and development, for the penetration rate of personal computers etc.

*Third:* To address persistent socio-economic inequality through focused efforts on reaching the right target groups and by providing opportunities for employment and advancement. Here time specific targets are set for poverty eradication and for reduction of disparities within and between ethnic groups, between rural and urban areas as well as between regions of the country. The employment structure and hierarchy in the economy is targeted to better reflect the full and fair participation of all groups in the population. In addition, targets are set for ethnic distribution of assets, both equity holdings and ownerships in residential and commercial property.

*Fourth:* To improve the standard and sustainability of quality of life by action on many fronts from better management of natural resources to ensuring public safety and security and to promotion of the rich Malaysian cultural heritage.

*Fifth:* To strengthen the implementation capacity by improving public service delivery, addressing actual and perceived corruption in both public and private sectors, enhancing corporate governance by strengthening the legal and regulatory frameworks and also strengthening the roles of Parliament, media and civil society.

## **7. Has Malaysia's Experience Relevance for Other Countries?**

The Malaysian NEP story of advance towards the distribution objectives and then retreat or consolidation at half way and now renewed efforts to advance again holds lessons for Malaysia and perhaps also for Namibia, even though the situation here is different in so many respects. In Malaysia the Bumiputera groups have accounted for one half to two thirds of the population, here the equivalent proportion is more like 95%. While at the outset of the NEP journey in Malaysia in 1970 the GDP per capita there was less than what it is today in Namibia, the overall income maldistribution in Namibia – as measured by the Gini coefficient – is at an extraordinarily high level in excess of 0.60 as against well short of 0.50 in Malaysia. While in Namibia today the level of poverty is reported to be nearly 30%, it is below 5% in Malaysia. Even though today GDP per capita in Namibia trails that of Malaysia by only about one quarter (in US\$ PPP), the quality of life in many other respects is very much poorer. [Thus the under five child mortality here is five times higher than in Malaysia, unemployment here is reported to be of the order of 30% as against little more than 3% in Malaysia.]<sup>1\*</sup>

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<sup>1</sup> \* Statistics reported in this paragraph are detailed in *2007 World Development Indicators*, World Bank, 2007.

Clearly, for economies as different as are Malaysia and Namibia (or for that matter Malaysia today and Malaysia 35 or more years ago) circumspection is called for when searching for parallels in policy options. Even so, experience gained from Malaysia's NEP-oriented institutional arrangements and from its application of specific policy instruments can be suggestive of what to explore and copy with adjustments in Namibia. At the very least, some more general conclusions can be advanced with confidence.

### **7.1 *The importance of growth***

Broad based economic empowerment is a means to ensure that disadvantaged groups can be more fully and effectively included as participants in the production process through employment, eventually at par with those already in place, and in ownership, management and control of enterprises. This is more readily affected – and less firmly resisted – in conditions of growth and expansion.

Growth is a matter of increasing productivity in given economic activities; it is also a matter of shifting employment from lower to higher productivity sectors and activities. In the evolution of the Malaysian economy in recent decades, both these growth factors have been operating. With education, training and opportunity large components of the labour force have moved to higher levels of productivity by both avenues. This is the way forward also in Namibia. The NEP strategy focusing on a more rapid and continuing shift of Bumiputera into activities of high productivity has led to high growth rates overall, even if the affirmative action to do so may have meant foreclosing – at least in the short run – some opportunities for more rapid advancement of the non-Bumiputera.

### **7.2 *Employment creation and poverty alleviation***

The speed and pattern of growth in a largely traditional economy, as was Malaysia in 1970 and as is Namibia today, need to be such as to increasingly include the underemployed and unemployed in the growth process, specifically creating openings for those wishing to move into the modern sector. Thus, economic growth has to be encouraged and guided along an employment intensive path. Largely through these approaches, Malaysia reduced its poverty rate from a high of one household in two in 1970 to less than one in five in 1990 with further significant improvement in subsequent years.

### **7.3 Education, training and opportunity**

In Malaysia a pre-condition for successful empowerment in the labour market has been the raising of the levels of general literacy and basic skills and of general and specialised education at secondary and tertiary levels. In these respects the Bumiputera were at a great disadvantage at Independence and when NEP was initiated in 1970. The lifting of the educational standards of the Bumiputera to that of their compatriots of other backgrounds has therefore been a constant endeavour of the Government, including scholarships and stipends, multiplication of educational facilities, imposition of quotas for University entrance so as to allow for an ethnic distribution of student body in closer accord with the population structure. Some of these efforts by Government to improve quality and quantity of supply of manpower from the disempowered majority groups have been controversial and at times arguably misapplied. Yet, they have been essential to the gradual improvement of the position of the Bumiputera in the pattern of employment in the private sector.

### **7.4 Role of the State and the private sector**

It is particularly difficult convincingly to suggest parallels between countries when it comes to the respective roles of Government and the private sector in the advance towards national economic and social development. In Malaysia throughout the 50 years since its independence, the private sector and market forces generally have been relied upon to be the major agents of growth and modernisation. At the same time the Government at national, state and local level has set and re-set the framework within which the market operates. Malaysia has a strong tradition of planning, setting time bound targets for overall and sectoral development and carefully ensuring that the need for macro balances is respected.

Malaysia has also sought to deal with real or perceived shortcomings and failures of the market, be it in the area of labour supply as mentioned above, in the availability of investment funds, in attention to under researched potentials for growth and efficiency, in opportunities for social policy actions etc.

Malaysia has succeeded in maintaining a generally constructive interaction between the State and the private sector. When it comes to the still unmet need for empowerment of the Bumiputera in the economy, the problem expresses itself most generally in the private sector. The Government has at times made overtures to the private sector to overcome any built in practice of discrimination against the Bumiputera; thus aiming to ensure that the private sector can become part of the solution, not only of the problem of ethnic imbalances in the market economy.

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## 7.5 Conclusion

Malaysia has an often positive, albeit chequered, experience with its NEP to deal with gross ethnic disparities and to move towards a sustainable and balanced nation in diversity. The lessons of this experience, as applied to the now more developed Malaysian economy, are under scrutiny in Malaysia today. Instruments of policy as designed and implemented in past years are being left aside or redesigned and the search for other instruments is ongoing. In the same manner the experience of Malaysia, as it applies – if at all – to other countries, can at most be relevant when assessed in the context of their respective special situations.

Let me end my presentation with a short response, based on the Malaysian NEP experience, to the set of five issues with which our Bank of Namibia colleagues conclude their Overview of Broad-based Economic Empowerment in Namibia.

**“How should Namibia ensure that the overall framework does not regulate all industries to detail but be a more general guideline for sectoral charters?”**

Clearly, *general guidelines* for black empowerment is what is needed, *not detailed regulation* of industry sectors and enterprises. For such guidelines to be effectively drawn, political and administrative resources must be mobilized to bring out a clear diagnosis of basic imbalances in the several sectors and in society at large. What is the current state of affairs and its momentum of change? While policy frameworks as they bear on individual sectors – even on individual major corporations – will be needed, the emphasis should be on expected and realized impact on the bottom line: the empowerment of the lagging groups of Namibians.

**“Whether clear benchmarks, timeframes and review periods would need to be set up”**

Yes, this is needed, but again not in specific detail and not always in the same mould for all sectors and all elements of the bottom line.

**“The need for establishing regulatory bodies to review progress on the targets set in charters”**

Yes, there needs to be an institutional framework for review and analysis of implementation and of impact. Policies for black empowerment will come to naught if the machinery and practices are not in place to closely and regularly oversee empowerment implementation, to analyse causes of progress and failure, to work out policy options for greater effectiveness and impact.

**“Realistic targets in terms of capacity of industries to be set, thus not to overstretch industries and whether increased commitment is needed from the industry”**

Central targets for black empowerment must be ambitious but realistic. Such targets should be worked out with industries and enterprises themselves in a continuing dialogue about what is attainable, what can and will be done by the enterprises themselves (say implementation of a black empowerment apprentice system), what support or facilities are needed from the public sector (say in the area of education and research – or even of tax incentives).

**“The concern of public education on BBEE and its operation remains**

The pursuit of BBEE is a *national* objective, as is the NEP in Malaysia, and can only be successful with broad and informed public support. While group interests will be affected differently, they must be brought to accept accommodation and compromise in the wider interest of national cohesion and political stability, which itself is a precondition for sustained development.

Perhaps the major lesson that can be learned from Malaysia is that deep seated structural disparities in employment, income and assets along ethnic lines can only be corrected gradually and over decades, even generations. And while realities on the ground and ill winds from abroad call for flexibility and compromise, eventual success depends on firmness of resolve and persistence of pressures for change. Empowerment can be made to work, but it requires clarity of objectives and wide acceptance of the need for a national effort in which both the State and the private sector play their part.

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**COMMENTS ON “BROAD BASED ECONOMIC EMPOWERMENT:  
THE EXPERIENCE OF MALAYSIA”**

**BY**

**PT AKWENYE**

**DEVELOPMENT BANK OF NAMIBIA AND  
MILLENNIUM CHALLENGE ACCOUNT**

**1. Introduction**

1.1 The world has become a global village and countries can learn from each others’ developmental experiences even on a screen of a PC. Just Faaland’s paper on “Broad based economic empowerment: The experience of Malaysia” asked a relevant question whether Malaysian experience is relevant to other developing countries?

1.2 The paper highlighted historical, economic and social background of Malaysia, explained deliberate broad based empowerment policy intervention mechanisms, described instruments used to address the economic disparities of indigenous Malays and also drew lessons that countries such as Namibia can possibly replicate.

1.3 Based on the content of the paper, discussions will focus on three points, namely, a) Comparison of Malaysia and Namibia on key historical, economical social issues and policy indicators; b) Empowerment Policies; c) Lesson Learned with specific focus on Namibia and Conclusion.

**2. Discussions**

**2.1 Comparison of Malaysia and Namibia**

2.1.1 A comparative analysis is necessary if one is to arrive at an informed conclusion whether at all Namibia should indeed and whether it will be able to emulate the Malaysian model on poverty reduction and economic growth. Although both countries have numerous historical semblance, economic parallels and political similarities, distinct differences are also quite discernible.



2.1.2 The significant stark income disparities prevalent in Namibia as reflected by the high gini coefficient of 0.6 in 2006 is one of the development challenges. On the other hand the Malaysian gini co-efficient was 0.4 in 1970 meaning that the level of inequality in Namibia is worse than in Malaysia. Equally, the unemployment rate was never at any point higher in Malaysia than in Namibia. Thus the challenges and points of departures signify apparent severity of the Namibian situation such that, because of these differences, any attempt at replication has to traverse a different trajectory altogether.

## **2.2 Empowerment Policies**

### **2.2.1 Malaysia 's New Economic Policy (NEP)**

2.2.1.1 The policy was launched 12 years after independence to overcome the pre-colonial economic practices and include the following elements: commitments from the government; proactive private sector plan; privatisation of public companies; preferential treatment in procurement; vigorous programme on education and training (quota in public universities, specialised education at secondary school and tertiary education); work ethics and respect for the rule of law.

2.2.1.2 Given the above factors, the fundamental question is: If the Malaysian economy grew by leaps and bounds, was such growth the result of the adoption of NEP? Some economists argue that NEP only helped to re-distribute the wealth and maintain political stability. Other views are that NEP did not address the fundamental question of wealth re-distribution among the communities. It assumed that "new capitalist" would voluntarily re-distribute their wealth. This is not how capitalist work.

2.2.1.3 The literature is also argued that *"The NEP which compelled reservations of 30% for bumiputras in all economic activities has dampened investment interests of both local and foreign investors."* The FDI in Malaysia declined considerably to USD3.9 billion in 2006 while other Asian countries range from UDS7.9 billion to USD70 billion the same year.

2.2.1.4 With all good intentions, Malaysia's economy is lagging behind that of other Asian tigers. Is it NEP or other factors?

## **2.2.2 Namibia's Draft Transformation Economic and Social Empowerment Framework (TESEF)**

- 2.2.2.1 Unlike Malaysia where the NEP is the overarching policy directive for economic empowerment, Namibia still does not have one stop policy 17 years after independence. This hampers all empowerment initiatives in Namibia.
- 2.2.2.2 In my view, ETESEF is the core document that the country should have earlier finalised for it to be able to develop the supporting mechanisms that Malaysia used to fast track the implementation of NEP. Namibia also needs a National definition of BEE as well as a policy in order to develop a) the Code of good practice; b) Umbrella Empowerment structure; and c) Individual Companies Score Card.
- 2.2.2.3 One of the main challenges for the empowerment policy will be: improvement of procurement system for companies without compromising the efficiency and quality delivery; attracting global competitiveness in Namibia; privatising some public companies; designing vigorous training programme (Education and Training Investment Programme (ETSIP) might do wonders but its implementation speed is worrisome)

## **3. Lessons Learned**

- 3.1 Mr Faaland's paper warned that *"circumspection is called for when searching for parallel option"* and that *"copy with adjustments"*. This is the right sentiment for Namibia as both countries have big differences.
- 3.2 However, Namibia can still learn from the mechanism that Malaysia used to achieve its economic growth. For example, Namibia should concentrate on developing the skilled manpower. With skills, some people will establish their own companies and in the process contribute to the size of the economic cake.
- 3.3 Namibia should not shy away from importing skills. The FDI is normally attracted to countries if there is market and skilled manpower. Namibians should get away from xenophobia about foreigners coming to take their jobs. Malaysian companies imported many expatriates from neighbouring countries while they were busy training their own people.

- 3.4 Malaysia had an export growth oriented strategy targeting wealthy nations such as USA. Through TESEF, will Namibia come up with targeted market?
- 3.5 Namibia should bear in mind that a) it took Malaysia 50 years to reach the development stage where they are today. b) the NEP policy was launched in 1971, 19 years before Namibia gained independence. In two decades numerous ways of doing business have changed. Therefore Namibia should embrace new mechanisms of empowerment.

#### **4. Conclusion**

- 4.1 Mr Faaland's paper was clear and made significant contribution to the current debate on empowerment policy for Namibia. It could not have come at a more opportune time than now when the TESEF policy is under discussion.
- 4.2 For Namibia to emulate other experiences either in Malaysia or anywhere in the world, she needs drive, work ethics, enforced legislation to reach the right target, and lastly, commitments from both government and private sector.

**STRATEGIES TO PROMOTE BROAD BASED ECONOMIC  
EMPOWERMENT IN NAMIBIA**

BY

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**1. Introduction**

Since the transition to democracy in 1994, South Africa's African National Congress (ANC) government has embarked upon a strategy of Black Economic Empowerment (BEE) with increasing assertiveness, arguing that this is necessary to address the imbalance of power within the state and economy between the minority white population and majority blacks. Although a principal focus of the strategy has been upon the *transfer of ownership and control of large scale capital from whites to blacks, in its widest sense BEE has come to refer to a mix of political pressures, government procurement practices and legislation such as the Employment Equity Act of 1998, the Promotion of Equality and Prevention of Unfair Discrimination Act of 2000, and the Broad Based Empowerment Act of 2003 whose combined objective is to 'transform' the overall profile of the economy.*

Despite these noble aims, BEE has become one of the most controversial aspects of the government's overall programme, subject to extensive criticism, notably relating to what critics refer to as its penchant for favouring a relatively small class of black capitalists who, while in practice tied to the apron strings of established white and multinational capital, have close ties to the ruling party. BEE, aver such critics, has become less a strategy for transformation of the colonial nature of post-apartheid South Africa, than a project for the creation of a class of black compradors, the limited deracialisation of privilege, and the political stabilization of the existing contours of gross inequality.

In support of this thesis, extensive evidence is adduced, ranging from the limited impact which BEE has had upon overall ownership patterns as measured by such instruments as the extent of black participation on the Johannesburg Securities Exchange (JSE), the extent to which transfers of ownership have been facilitated

by finance capital and extensive debt, the massive enrichment of a handful of black capitalists who appear to crop up in one major empowerment deal after another, and the unsavoury nature in which powerful individuals have used their closeness to political power for unbridled personal interest.

Overall, *many of the critics* seem to be saying, BEE has been not so much a failure, as a relative success of an alarming kind. On the one hand, various political opponents of the ANC, such as the Democratic Alliance, attack BEE as constituting a re-racialisation of South Africa, and argue for its abandonment in favour of more vigorous espousal and implementation of long term measures (notably education and training and small business promotion) designed to address the reasons for black disadvantage at root. On the other hand, various organizations ideologically or politically close to the ANC, such as the Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP), argue for a major reshaping of BEE in order to make it more 'broadly-based'.

While the government has tended to reject the first type of criticism out of hand as failing to address the political need for the decolonization of the economy, it has in practice proved more responsive to the latter type of criticism, as indicated by its promulgation of the Broad Based Black Economic Empowerment (BBBEE) Act of 2003. In summary terms, the latter can be described as an attempt to widen the practice of BEE by drawing up **Codes of Good Practice**, incumbent upon organs of state and private sector companies which seek to secure government contracts, by linking the achievement of specified gross black ownership targets by the year 2014 to other targets relating to the empowerment of women and poorer South Africans, management, equity employment, skilling, enterprise development and procurement.

While the **draft Codes** have been subject to considerable negotiation between the various parties involved, with – for instance – various targets being reduced in response to lobbying by business and various exceptions made for multinationals, the broad programme of the 2003 Act now seems destined to go ahead. Although there are serious concerns about the capacity of the government to monitor the extent to which corporations and others are implementing the Act and to which it may wrap the official procurement process up in red tape, it is clearly too early to assess its success or failure. For its part, the government will say that it is both a long term programme and a work in progress, and that present day judgements are by their nature bound to be premature. However, what can be said is that the requirements of the various Codes are comprehensive, systematic and potentially far-reaching, and

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– for good or ill – are going to have a marked impact upon the way in which business is conducted in South Africa over forthcoming decades.

As I have pointed out elsewhere (eg Southall 2007 forthcoming), the perspective of the ANC on BEE has been hugely shaped by Malaysian experience. The key point about the latter is not only that the thrust of the New Economic Policy, which was introduced in 1970, was to shift economic power from citizen Chinese to indigenous Malays, but that it set targets to be achieved over a period of thirty years. If nothing else can be said with much certainty at the moment, there can be little doubt that the ANC regards BEE as a strategy of transformation for the long haul!

I share with the ANC some impatience with the way in which the debate about BEE in South Africa has been conducted. That is not to say that I do not share with the critics many of their reservations. Virtually all the concerns which are regularly raised are legitimate. For instance, there *are* serious philosophical, political and practical questions raised by a programme which is centred around ‘race’, especially in the wake of a liberation struggle which was officially devoted to the pursuit of non-racialism and the abolition of all forms of discrimination based on colour. There *is* a large body of evidence indicating that BEE has worked overwhelmingly in favour of those with strong connections to the ruling party, and that large corporations have sought to strike up deals with individuals deemed to have influence with government.

Furthermore, while BEE *has* achieved a modest deracialisation of the commanding structures of the state and economy, *it has not* contributed to any narrowing of the levels of inequality in South Africa, which along with Namibia has one the very highest gini coefficients in the world. However, while I think it is extremely important that these and other aspects of BEE should be debated publicly, and that the government should not dismiss its critics as simply hostile and reactionary (as it is too prone to do), I also think that the terms of the debate are usually too narrow, and indeed, that there is too often a degree of intellectual dishonesty. In other words, to move the debate forward, I believe that we have to understand first, the deep logic that underlies the political imperative for BEE; second, the constraints that are set by the nature of South Africa’s political economy within a context of globalizing capitalism; and third, the political and economic alternatives for and to BEE which are set by these prior considerations.

## 2. The Logic of BEE

According to liberation movement scriptures, South Africa was incorporated into world capitalism as a mineral producer, but this was based on institutions in which white settlers oppressed the majority of people who were black. Given that South Africa had been granted effective political independence in 1910 via a post-Anglo-Boer War settlement which guaranteed imperial interests yet conceded political autonomy on a racialised basis to the white minority, this meant that the black population was subject to a condition of 'internal colonialism'. This allowed for the vast accumulation of wealth for the few at the expense of the many until, by the late 1980s, growing mass resistance to national oppression paved the way for the negotiated transition. However, having conceded democracy in 1994, the objective of the white capitalist class was to provide for only a limited deracialisation of the economy.

In contrast, the objectives of the NDR are to overcome the legacy of racial oppression of the black majority and thereby to forge a truly united nation; to achieve democratization; and to transform power relations as a basis for social equality. Market forces will continue to play an important role in the economy, but the skewed nature of the latter will demand that the state play a leading role to ensure equitable economic growth and to provide for political stability. Yet the very success of the NDR will lead to the development of a black capitalist class and the major growth of intermediate black strata. This will not be unwelcome, as black – notably African – people cannot be denied the education, wealth and upward mobility denied them under apartheid.

Indeed, 'the rising black bourgeoisie and middle strata' will objectively become 'important motive forces of the transformation whose interests (will) coincide with at least the immediate interests of the majority' (ANC 1997:10). However, their relative advantage could make them counter-revolutionary, transform them into the instruments of monopoly capital, and render them parasitical and corrupt. To prevent this happening, they will therefore need to be subject to a code of behaviour. The resulting 'patriotic bourgeoisie' will, by implication, be one which develops the forces of production (providing for a higher standard of living), while the 'relations of production' are policed and guaranteed by the ANC. In short, the historic role of the ANC is to be the vanguard of the NDR, and achieve the internal decolonization of South Africa.

A set of decolonizing principles and strategies follow from this interpretation of South African history. I have elaborated these at length elsewhere (Southall 2007a). For present purposes, however, the logic of these can be summarized as follows:

- (i) *The ANC's use of state power to assert greater black ownership and control of the commanding heights of the economy was politically necessary and inevitable given the overwhelming extent of white domination of the economy in 1994.*
- (ii) *Acquisition of control over the state meant that black empowerment, or internal decolonization of the economy, was initially most easily pursued through the parastatal sector (via appointment of 'patriotic' blacks to high positions, pursuit of procurement strategies designed to empower black firms, and sale of state assets to black buyers via appropriate privatizations).*
- (iii) *Given that the South African economy was dominated by a 'Minerals-Energy Complex' (MEC), the ANC was particularly keen to promote black ownership and control of the 'commanding heights' of the economy: mining, energy and finance. However,*
- (iv) *Given the underdeveloped state of black business under apartheid, aspirant black businessmen were 'capitalist without capital'. They therefore required financial gifts or assistance from either the state or the private sector (notably banks) to leverage ownership and control of corporations.*

I will not dwell here at length on the consequences, nuances and often quite arcane complexities of this process, and I will restrict myself for the moment to just three observations.

**First**, the BEE process has been mediated by the eagerness of large-scale capital to come to the party in order to secure political access to the ANC and government (which accounts for much of the ease with which certain key empowerment figures have ascended to high profile positions at the apex of major corporations).

**Second**, the highly leveraged nature of many of the deals concluded has left many black business figures exposed to the vagaries of the market, and that in consequence, even the rather limited extent of inroads made by blacks into equity ownership hitherto may well prove to be at risk if share prices tumble (as they did in 1997/98, abruptly undermining the first wave of empowerment).

**Third**, and what I think is central to my argument, it is the ANC's control of the state and its determination to *decolonize the economy*, which is driving the entire process. Bluntly put, experience in South Africa and elsewhere suggests that, while capital can be highly responsive to changing circumstances, it would have acted far

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more slowly to 'empower' blacks and to incorporate them into its structures without concerted pressure from the state. Large scale capital may have proved keen to establish 'political connectivity' after 1994, yet nonetheless it was the slow pace of market-driven BEE which led the government to follow the recommendations of the Black Economic Empowerment Commission in 1999 and to pursue and implement a far more assertive strategy of BEE from the year 2000 (Southall 2004).

I agree with various critics (eg van Zyl Slabbert 2007) that the ANC's continuing adherence to the theory of the NDR leaves numerous questions unanswered, notably concerning how it conceives the long term nature and historic role of the emergent black capitalist bourgeoisie. Nonetheless, despite the theory's various ambiguities, it enables us to understand that the ANC's economic policies should be viewed as more than a simply a pragmatic response to the realities of post-1994 power. In fact, they speak to the deepest of principles which have driven the ANC's struggles and resistances throughout its long history. From this perspective, BEE (or some programme like it) should be seen as a *necessity*. Yet the nature of the South African political economy and the post-apartheid world simultaneously ensure that it also brings its costs.

### **3. The Costs and Constraints of Policy**

The economic policy pursued by the ANC government has been widely condemned by its critics, both within and without the Alliance, as 'neo-liberal'. The argument is a fairly simple one.

From this perspective, the ANC was elected to power on the basis of the Redistribution and Development Programme (RDP). This was aimed at achieving two objectives. On the one hand, it envisaged building a truly non-racial society out of the divisiveness of apartheid. On the other, it outlined an accumulation strategy capable of dealing simultaneously with the problems of growth and redistribution.

Such a 'one nation' (or 100 per cent) strategy would place the emphasis upon a redistribution of resources, productive capacity and capability towards the more marginalized sectors of the population as the mechanism to regenerate economic growth, and would rely upon a vigorous political commitment to welfare policies, redistributive mechanisms and urban-rural reconstruction, 'such as residential infrastructure, housing, electrification and telecommunications programmes'. In short, a 'one-nation' strategy would necessitate the combination of a 'state-stimulated economic restructuring with a negotiated political settlement' (Morris 1991: 57-58).

However, two years after coming to power, those in control of the government's economic policy within the ANC effectively abandoned the RDP, and imposed in its place the far more market driven Growth, Employment and Distribution programme (GEAR).

A large body of commentary argues that, rather than realizing a '100 per cent, one nation' solution, GEAR has had the outcome of excluding the impoverished half of the South African population from the benefits of the steady improvement in the state of the economy which was promised by 1994. In short, its pursuit represented the brazen abandonment of a '100 per cent' in favour of a '50 per cent' solution, the conscious opting for inequalitarian capitalism over – if not proto-socialism – then at least the more socially equitable aspirations of the ANC's 1956 Freedom Charter, and as having forsaken a relatively mild Keynesianism in order to pursue the neo-liberal policies of the 'Washington consensus' (eg Terreblanche 2002). The clear implication is that having arrived in power, the national leadership of the ANC, with the prime mover being identified as Thabo Mbeki, has strayed, either willingly (for reasons of class interest) or through force of circumstances, from the goals of the NDR as they emerged from the party's own historical trajectory.

There are competing yet compatible reasons accounting for the shift. These range from suggestions that a fundamental change had occurred in the international economic landscape following the collapse of Soviet socialism in 1990; through indications that their experiences in Eastern Europe had left key ANC leaders (notably Oliver Tambo and Thabo Mbeki) increasingly disillusioned with the working of state socialism; to suggestions that the persuasions of such bodies as the World Bank, backed up by the pressures of large scale capital, urged the abandonment of the RDP in favour of more market-friendly policies. Nor should it be ignored that with 'big business' keen to embrace the incoming ANC elite into the sphere of capital, the class interest of the emerging black bourgeoisie became pre-eminent.

Yet whatever explanation of the shift from the RDP to GEAR is favoured (and the ANC government itself argues that it was a self-imposed medicine administered to impose necessary disciplines upon the economy and to cure looming national bankruptcy), and whether or not it is accepted that the new macro-economics came at the immediate expense of the black working class and the poor, the depiction of ANC economic policy as 'neo-liberal' is misguided, at least in so far as it suggests a sudden and sustained lurch towards 'free market' policies.

To be sure, there was an initial flurry of policy favouring the privatisation of nationalised industries, not least because their sale (at subsidised prices) to favoured parties was viewed as an instrument of black empowerment. However, as I have argued elsewhere (Southall 2007b), this fell foul of the chequered experience of attempted implementation. There were, indeed, some successful transfers of some smaller state entities into black hands (although these were accompanied by one or two spectacular disasters); yet, as proved by the partial privatisation of Telkom, the amounts required to purchase major parastatals were so vast as to effectively exclude black persons from meaningful participation, and result in the transfer of major assets into either or both foreign and white hands.

Consequently, especially when combined with disappointment at the failure of its more pro-market policies to attract the amount of foreign direct investment that had been anticipated, this dilemma led to the government shifting towards a strategy which provided for a more actively interventionist state to guide and prime the market.

Thus it was, for instance, that in 2005, while announcing the further liberalisation of the telecommunications industry, the promotion of small business and a variety of measures to improve the attractiveness of the economy for private capital, the government also announced plans for a radical reform of and increased public investment in, state-owned enterprises, in order to make them 'drivers of growth and development'.

Suffice it to say here, that in the period that has followed, the government has been true to its word in undertaking a major overhaul of the major parastatals (albeit with varying success), leaving little room for doubt that it intends the state to play a leading role in the provision of key infrastructure. There is a strong argument that this represents something of a 'recycling of history', a return to the ways of the former Afrikaner establishment and its statist views which favoured a strong state as leading economic growth.

There are also strong suggestions that, similar to their historic role before 1994, the parastatals are being restructured in order to better serve the needs of the MEC, while in contrast, for instance, the public health sector is being allowed to languish to an alarming degree. However, what is most important in the present context is that this important shift in official policy has been accompanied by the government's increasingly self-conscious depiction of its strategies of those of a 'developmental state'.

While South Africa's aspiration towards becoming a 'developmental state' is admirable, it has to be regarded with caution. Inter alia, the experience of historically successful developmental states (such as those of South and South East Asia) cannot be replicated at will, while the notion also implies a level of 'state capacity' which, with regard to at least some areas of activity, is noticeably absent in contemporary South Africa. However, what is particularly relevant in the present context is that pursuit of the developmental state is crucial for BEE, which as noted above, will not occur at the rate desired by government, and at the rate which some observers insist is necessary to entrench political stability (Phosa 2007), if it is simply left to the market. Thus it is that there is a further postulate in the unravelling of the logic of internal decolonisation, viz:

- (v.1) *The ANC's pursuit of the NDR through a mix of the market and 'the developmental state' has fostered the rapid expansion of the black middle class.*

This gives the lie, in my view, to the rather dubious notion that BEE has merely favoured a very small group of highly politically-connected people. In contrast, my guess (although this needs backing by far more extensive research) is that the benefits of BEE have filtered through to a considerably larger number of people than is usually acknowledged, principally through the procurement and tender allocation practices of parastatals and government departments at all three levels (national, provincial and local) of the state machinery.

Nonetheless, although government argues forcibly that its social expenditure policies are doing much to alleviate the distressing level of poverty, Mbeki continues to lament the existence of, and disconnection between, what he terms South Africa's 'two economies': one for the rich, and one for the poor. In other words, to conclude the postulate started above:

- (v.2) *However, the trend towards the deracialisation of the upper levels of the class structure has had little positive impact upon working class and poor South Africans (Southall 2007a).*

If this is so, it raises the question: Is BEE inherently a class project, one which in outcome even if not in intention, favours only upper and lower segments of the black bourgeoisie? If the answer to this is 'yes', then any working class movement like COSATU (or the National Union of Namibian Workers, NUNW) would argue that it should be abandoned and replaced.

However, my sense is that the answer is more likely to be a qualified 'no', for in my view (one which I suspect I share with COSATU and NUNW) BEE, or some similar

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policy that quite deliberately seeks to counter the centuries and decades of historical disadvantage, is necessary to attack the dismal legacy of colonisation. Yet if this is so, then clearly BEE has to be stripped of much its class base. In short, more than ever we need to work towards a sense in which BEE could be genuinely said to be 'broad based'.

#### **4. Can BEE be democratised?**

As touched on above, the government's Broad Based Black Economic Empowerment Act of 2003 – which was, in considerable part, a response to criticism that hitherto BEE had in outcome been unacceptably elitest – has set the scene for an important new phase of policy, whose demands on both the public and private sector will be considerable. In brief, the Act empowered the Minister of Trade and Industry to issue Codes of Good Practice relating to BEE. Ten such codes were to be issued over the course of the following months as follows:

### **Broad Based Empowerment Codes of Good Practice (2004-05)**

<b>Code Number range</b>	<b>General subject matter of the codes</b>	<b>Weighting in the Generic Scorecard</b>	<b>Compliance Targets</b>
Code 000	Framework for the measurement of BBBEE		
Code 100	Measurement of the ownership element of BBBEE	20 points	25%. +1 share
Code 200	Measurement of the management control element of BBBEE	10 points	60%
Code 300	Measurement of the employment equity element of BBBEE	10 points	50%
Code 400	Measurement of the skills development element of BBBEE	20 points	
Code 500	Measurement of the preferential procurement element of BBBEE	20 points	50%
Code 600	Measurement of the enterprise development element of BBBEE	10 points	
Code 700	Measurement of the residual element of BBBEE	10 points	
Code 800	Sector codes as defined in Code 200 Statement 010		
Code 1000	Measurement of BBBEE for Qualifying Small Enterprises (QSEs)	20 points for each element above, with QSEs being measured in respect of any 5 of the 7 elements for a total possible score of 100	

**Source: SAIRR 2004-05: 236; DTI 2006.**

These ten codes of good practice were to contain the seven elements (Codes 100-700) that were to form the basis for a 'generic scorecard'. Each of these elements was to have its own scorecard, which in turn would have its own components, so that for example the ownership element was to contain five components adding up to 20. A company's BEE standing (which would be vital for its obtaining government contracts) would be rated by adding its total score out of 100 possible points, geared

to various 'compliance targets' which were to be achieved within ten years (2014) as indicated above.

In terms of Code 800, industrial sectors were encouraged to draw up their specific BEE charters in order to implement the principles and objectives of the Act. Such a process would have to be sufficiently consultative, and if satisfying a fairly stringent set of criteria would qualify as a charter to be gazetted in terms of Section 9 of the Act as a Code of Good Practice. Those sector charters fulfilling rather less rigorous demands would be gazetted in terms of Section 12 of the Act and would be binding upon signatories, but not upon the government or other sectors interacting with the sector concerned (SAIRR 2004-05: 235-237). The Act further laid down that every Organ of State and Public Entity would be obliged to take any relevant Code into account in so far as was practicably possible.

It is not necessary to review the details of the intense consultations between the DTI, private sector and labour which followed before finalisation of the Codes. Suffice it to say here that by the time the BBBEE Codes were finalized by government in December 2006, nearly three years after the government had started drafting them, they were a product of compromise between what, on the one hand, the ANC caucus and black business organizations had been pressing for, and on the other, what white owned and foreign businesses were prepared to accept.

As discussed above, we do not know yet how they will work out in practice, how they will change over time, and what their long term impact upon transformation, growth and redistribution will be. However, what we can say for the moment is that they represent a concerted effort to effect a further decolonization of the economy. Yet will it be enough to more thoroughly democratize BEE?

COSATU clearly feels that the new strategy does not go far enough. During the final negotiation process of the Codes, for instance, it criticized BEE policy for continuing to focus on promoting ownership by a few, and for giving far too little weight to genuinely transformatory measures such as increased investment, employment and services to poor people. Unless a company was covered by a sector charter, noted the organisation's Neva Makgetla, 60% of its rating would come from ownership and management, and 30% from equity and human resources development. That left only 10% for everything else (*Business Day*, 1.7.05). Yet COSATU's bitterest complaint was that the codes discounted investments in companies by pension funds as contributing toward empowerment, (the government arguing variously that it was too difficult to tell whether the beneficiaries of such funds were white or

black, or that if major state pension funders such as the PIC, Eskom or Transnet were counted as black, a 25% black ownership target would be too easily achieved, and there would be too little incentive for companies to change)(*Business Day*, 28.6.05; *Business Report*, 1.11.05). However, COSATU argued that as black people, including workers, already had considerable financial holdings in pension funds, this meant that opportunities for concluding broad based deals which would recognize organised labour or other black pension investors as partners (who might accordingly be represented on company boards) was being ignored (*Business Day*, 27.6.05).

As it happened, government went some way to meeting COSATU's representations, for the final Code allowed for indirect ownership by blacks to count towards BEE. 'Mandated investments' such as pension funds could now be included if there was clearly demonstrable value attributable to black people in terms of both economic interest and net value; and if commitment to shareholder activism could be demonstrated. However, inclusion of such indirect investments was to be limited to 40% of the ownership criteria.

### ***Worker empowerment as BEE***

In conceding to COSATU's point about the potential of 'pension power', the government was clearly moving in the right direction if the purpose of BEE is to broaden the notion and base of black ownership of the economy. However, the government is also correct to demand that commitment to shareholder activism be demonstrated, for sadly, as recent scandals have demonstrated, the presence of union or worker trustees on the boards of pension funds in South Africa serves as no guarantee that worker interests will be served.

It is important at this point to revisit, in very broad outline, the debate within COSATU about the best way or ways to further *worker empowerment* which took place during the years of the transition.<sup>1</sup> Fundamentally, it was about how and whether a trade union movement which was formally committed to socialism should engage in a capitalist economy. Apart from a minority purist position which insisted that workers should do nothing than undertake wage labour for capital, there were two principal responses.

One was from a number of trade unionists who argued for the formation of trade union investment companies. For their protagonists, union investment companies

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<sup>1</sup> What follows is drawn from Southall (2007c).



were vehicles for progressive social change and worker and black empowerment. As one trade unionist turned director put it, in a rapidly changing South Africa, there were major assets, resources and opportunities “up for grabs”: “In short, opportunities for relatively rapid accumulation exist. The issue then becomes, who accumulates what?” (Dexter 1999: 82-83)

If accumulation amongst progressive forces was left only to the ‘patriotic bourgeoisie’, this would be to the detriment of workers, who would be unable to influence patterns of wealth distribution and capital formation. Unions should not suddenly become capitalist, but they should engage in collective ownership and economic activity. Union investment companies could transfer the means of production to workers, facilitate transfer of skills to the disadvantaged, assist regional economic integration, create jobs and help socialise the economy.

Opposition to union investment companies was a mix of the ideological and the critically empirical. Ideologically, the counter argument proposed that union investment companies, at least as hitherto conceptualised, *were unlikely* to significantly benefit workers but *were likely* to weaken any struggle for socialism. It could not be assumed that South African trade unionists’ radical and militant tradition would automatically prevent them from repeating the excesses of ‘business unionism’ experienced elsewhere.

Creative strategies were certainly needed, but union business ventures were likely to de-politicise and de-mobilise workers, distract unions from fighting for better wages and jobs, invest in morally dubious enterprises, and favour the interests of union ‘barons’ over those of the membership at large. Trade unions should not merely seek to build ‘social capitalism’, but should use their collective investments to build union strength and working class organisation domestically and internationally.

From the perspective of 2007, the outcome of the union investment drive is distinctly questionable. Only two, those started by the South African Clothing and Textile Workers Union (SACTWU) and by the National Union of Mineworkers (NUM) have prospered.

These have both become significant conglomerates, yet their success has raised as many questions as they have answered. Although they have made reasonable financial returns to their union trusts (which formally own them) for social expenditure on behalf of members and former members of their unions, their claims to represent ‘worker power’ are highly dubious. Indeed, the SACTWU investment vehicle, Hosken

Consolidated Investment, has become notorious for aping the behaviour of predatory corporations, and has moved aggressively into areas of investment, notably gambling, which have a deleterious social impact. Meanwhile, HCI's executives have become rand billionaires.

Otherwise, although a handful of the 20 or so union investment vehicles which were launched have survived as moderately successful small to medium sized companies, an equal number have gone into bankruptcy and lost their initial founding capital. It is also a commonplace that there is huge resentment within COSATU that the union investment companies have become vehicles for personal enrichment and aggrandizement of their officials, and that they are huge problems in rendering them accountable to their parent unions.

The major alternative strategy to the union investment companies was proposed by those who wanted to mobilize worker pension power and link it to the pursuit of 'socially responsible investment' (SRI) and shareholder activism. This initially became embodied in the important experiment of the Community Growth Fund (CGF), a unit trust established by four unions from COSATU and three from its rival federation, the National African Congress of Trade Unions. The objective of the CGF was that it would hire the services of professional asset managers and through them invest workers' pension and provident funds in companies with strong social capital and earnings growth which complied with detailed social responsibility criteria devised by an associated labour research body. For its first five years, at least, the CGF did remarkably well.

Thereafter, although it went through some difficulties, it continued to return reasonable profits while demanding social responsibility (even though its present critics argue that it failed to revise these upwards in a sufficiently aggressive fashion). Nonetheless, its overall record compares favourably with the similar experiences of union-influenced pension funds which practice socially responsible investment in advanced industrial countries like Canada, and whose success indicates, contrary to established opinion within the financial sector, that ethical and socially responsible investment practices tend to be no less profitable, and can be more profitable, than normal investment practices (Carmichael 2004).

It was against the background of the CGF that COSATU sought to make good the demand of the RDP that pension and provident funds should be made more accountable to their members. The federation made an important contribution to the government's reform of legislation governing retirement funds which from 1996

decreed that 50 per cent of members of the boards of pension fund trustees had to be elected by their members. This opened up the possibility that pension fund assets could be directed into job creating, industrially strategic and socially responsible investment, and render established capital more democratically accountable. In practice, however, the outcome has been distinctly mixed.

Although there is some indication that the corporate governance of the South African pension fund industry has improved, experience has demonstrated that overwhelmingly worker trustees tend to be passive members of boards who leave key decision-making to fund managers, and are not sufficiently trained to significantly influence their boards towards socially responsible investment systematically. This unfortunate situation has recently been highlighted by the recent scandal whereby the Mineworkers Pension Fund incurred massive losses on behalf of its beneficiaries through the corrupt activities of Fidentia, a financial services company, which the Fund's trustees had proved unable to prevent.

Despite the mixed record hitherto, there is enough in COSATU unions' own experience, that of the CGF, and of trade unions internationally to indicate that the mobilization of workers' pension power to socially responsible investment represents a major way forward for the promotion of socially desirable outcomes, without the undesirable side effects of various other strategies of BEE.

This presumes, of course, that the trade union movement take the issue of the training and deployment of union trustees much more seriously than hitherto, and that this be linked to a return to something like the CGF model of devising appropriate investment criteria which seek to link sustainable profit to beneficial social impact. In addition, a more comprehensive approach to the pension fund issue could be associated with ongoing government attempts to improve corporate governance within the industry, and to lay the basis for a national investment regime aimed at providing faster economic growth and beneficial outcomes for workers and the poor. If such an agenda implies that COSATU become more actively involved in the running of South African capitalism, it would be as a partner to government within the construct of a 'democratic developmental state'.

## 5. Lessons for Namibia?

The argument of this paper is that BEE, or some policy like it, has been *historically necessary* to overcome the legacy of internal decolonization in South Africa. However, it is also argued that the strategy has come with *costs*<sup>2</sup>. If, therefore, our present objective is to ask what lessons Namibia can draw from South Africa's experience, it is germane to note that the latter will, first of all, be controversial and contested, and that they are likely to be negative as well as positive. Consequently, what I would tentatively suggest that we can learn from South Africa's mixed record regarding BEE would include the following.

A **first lesson** is that, because BEE is a political project, there is little prospect of our reaching a universally accepted definition of either its composition or intent. It is customary to note that in South Africa, both narrow and broader definitions of BEE have been used in the course of debate. Whereas the former refers to the transfer of ownership and control of capital from whites to blacks in order to render such ownership and control demographically representative, broader definitions extend to increased black participation in the economy (thereby, for instance, incorporating affirmative action or equity legislation under the rubric of BEE).

Yet whether narrower or broader, any definition will involve problems of operationalisation. For instance, what is meant by 'ownership and control'? In these days of advanced corporate capitalism, where in certain circumstances even ten per cent ownership of shares may impart effective control, there will inevitably be debate about what is meant by any particular term. From this perspective, I think therefore it is simply best, from a pragmatic and policy point of view, to argue that *BEE is what relevant legislation says it is*.

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<sup>2</sup> For a recent stinging review of the reality of BEE in Namibia at present, see Melber (2006). He argues as follows:  
"The blatantly racist power structures and property relations have gradually been replaced by a more color-blind class agenda. Like the 'comrades in business' in neighbouring South Africa, the 'colour of business' by means of black economic empowerment serves the class interests of a new bureaucratic elite from the ranks of the erstwhile liberation movement. These 'liberators' profitably cashed their access to the country's resources through their political and public service offices secured at and since Independence (Melber 2006: 13).

Furthermore:

"Namibia's post-colonial development has not produced any meaningful 'patriotic bourgeoisie'. What has been emerging instead, is at best a crypto-capitalist, petty-minded self enriching new black elite, which expends its energy on exploiting the public purse.....In the absence of a meaningful, profit-generating industrial sector, in which capital would be accumulated through production, surplus generation lies on the privatization of natural resources....or benefits generated by access to privileges in the public sector and state owned enterprises.....Public procurement and other outsourcing activities by those in control over the state agencies turn 'affirmative action' and 'black economic empowerment' into a self-rewarding scheme based on 'struggle credibility' among the erstwhile liberation movement' (Ibid: 18).

It follows, **secondly**, that BEE is going to involve the setting of various targets, such as are outlined in South Africa's Broad Based Codes. It follows also that targets are likely to have timelines attached, for without them, BEE may become little more than exhortation and the rhetorical expression of desired goals. Furthermore, targeting and timelines imply monitoring and evaluation, with the further implication that targets and timelines can be revised or renewed as deemed appropriate (as happened in Malaysia in 1990, with revision of the original NEP goals). Consequently, while certain critics of BEE in South Africa have demanded to know whether the policy will be drawn to a close in 2014 (20 years after liberation, and the presently pragmatically decided upon timeline), no firm answer can reasonably be given.

Whether or not the strategy will be renewed will, after all, depend upon a host of factors: not only upon whether targets have been achieved, but by the judgement of the government of the day of the economic and political wisdom such renewal and/or revision. However, what can be said is that is that, in order to minimize confusion and to create as much certainty as possible (a factor which is usually deemed necessary to encourage investment), targets and timelines should be clear, as should be the carrots and the sticks associated with them.

A **third lesson** which I think can be learnt from the South African experience is the importance of government *negotiating* over-arching as well as sectoral codes with relevant stakeholders, notably business associations, firms (domestic and multinational) and organized labour. In South Africa, this process was extensive. The government has been concerned to assure white-dominated corporate sector not only that BEE would not be imposed upon it, but also that empowerment will be implemented in cooperation and consultation with private capital. The private sector has been seen as vital in generating economic growth and investment, and the cabinet has been checking its regulatory stance towards business to ensure that capital is not hemmed in with BEE restrictions.

As is demonstrated by the government's adoption of the Accelerated & Shared Growth Initiative for South Africa (AsgiSA), there is an official determination to boost the economic growth rate above 6 per cent by 2010. "There are concerns in cabinet that an obsession with BEE regulation may scupper this plan", the public enterprises minister is quoted as saying. "It is pointless having a BEE economy that is growing at 1 per cent". Consequently, the BEE Codes, which were approved by the government at the end of 2006, included a string of concessions favourable to the interests of white business (and indeed, to the big, black BEE beneficiaries) (Tangri and Southall forthcoming).

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Small and medium-sized businesses as well as foreign companies welcomed government's pragmatism in finalizing the Codes, especially in exempting them from BEE ownership requirements. The threshold in terms of turnover was raised considerably in the final Codes, exempting smaller businesses from BEE compliance. Small companies with yearly turnovers of R5million and less do not have to comply with any of the BEE requirements. Medium-sized companies with an annual turnover of between R5 and R35million (previously R25million) may choose 4 from the 7 scorecard components with which they wish to comply.

Multinational companies have also been exempted from the equity component of the scorecard but will be obliged to make up with alternative measures. Foreign multinationals had for several years been seeking exemption from the ownership obligations of the sector charters on the grounds that this was contrary to the parent companies global policies on sole ownership of their subsidiaries in other countries. Government finally accepted this because of concern that ownership requirements could deter much-needed foreign private investment (*ibid*).

To be sure, many of these concessions have been strongly criticised by black business, with the Black Business Council in particular having voiced concerns that the lowering of ownership thresholds will dilute real empowerment. Black business has also lobbied against allowing companies to use indirect ownership (eg black holdings in pension funds) in the measurement of black ownership, and overall, has expressed growing frustration at the slow pace of economic change in South Africa as failing to alter the fact of white domination of the white corporate world (*ibid*).

This diversity of views on the progress of BEE is, in my view, inevitable, reflecting as it does the interests of the different parties involved. What it does, however, is to reinforce, **fourthly**, the notion of BEE as being a *work in progress*. At this stage, it is premature to argue what the impact will be, and how smoothly the Codes will be implemented. Questions necessarily arise, not least about the efficiency and flexibility of the accreditation process.

This implies further that changes and adjustments will be made as difficulties and needs arise, and that, indeed, the BEE process will inevitably be a subject of ongoing political contestation. In the words of Cyril Ramaphosa, when he was speaking over a decade ago to the South African Chamber of Commerce: "The struggle that lies ahead is not merely the purchase of white interests by black interests. It is to ensure that the economy of South Africa grows and in so doing benefits all of the nation's people" (cited in *ibid*).

That should remind us, *fifthly*, that BEE is only one aspect of economic policy, and that the theory of the NDR holds that while there is an urgent need for the capitalist structure of South Africa to be deracialised (for reasons ranging from the struggle for social justice to the requirements of political stability), there is a need for the behaviour of the new black capitalist and middle classes which are coming into being to be held in check: that is, that they should not abuse their party position, power, influence and privilege for unproductive and unjustified personal enrichment, and indulge in conspicuous and socially wasteful consumption.

Let us accept that a capitalist society, or any type of society which is undergoing industrialization, is *not* going to be a classless society. Nonetheless, even if the present trend within global capitalism is towards greater inequalities within society, there is no reason at all why in the post-apartheid societies of South Africa and Namibia we should meekly accept that BEE is *no more than* a deracialisation of inequality. Quite the reverse: the struggle for greater *social equality* needs not to replace, but to fill out the post-colonial struggle for *racial equality*.

From this perspective, it can be argued that, given the one of the inevitable tendencies of BEE is to promote the formation of black capitalist and middle classes, constant pressure are going to be needed upon governments and the corporate sector for empowerment to be rendered broad-based. Of course, 'BBBEE' is a term which can be much abused.

However, for all that the South African government's recently introduced Codes can be criticized as not going far enough, they are undoubtedly pointing in the right direction in deliberately incorporating significant weightings for the empowerment of women and poorer communities, and for the shift they record away from the previous almost total emphasis upon ownership towards equity employment, the blackening of management and attention to education, training, skilling and black enterprise support and creation.

It may well be that implementation of this model falls foul of practicality in many regards, and that any attempted emulation by Namibia would require as much attention to what goes wrong with it as to what goes right. Nonetheless, the adoption of a long term plan of action, which imposes important decolonizing demands and disciplines upon both state organs and private capital, is one which requires consideration.

A **sixth lesson**, relating to the goal of broad based empowerment, is that union experience in South Africa suggests that if *worker empowerment* is the goal, then rather than opting for union investment companies, a serious mobilization of pension power should be linked to a strategy of socially responsible investment – that is, the direction of investment in socially productive, ethical, employment creating, and environmentally acceptable directions.

This cannot be undertaken lightly or unsystematically, for if it is, then the pension fund trustee system can too easily become a figleaf of legitimation for large corporations to conduct ‘business as usual’. It suggests, too, that the union movement should link up with civil society organizations within both Namibia and South Africa and beyond to ensure both that adequate training of trustees and specification of the content of SRI; and that, as noted in a paper for NUNW (LaRRI 2003), the pursuit of BEE does not become an excuse for, or instrument of, the worsening of conditions for black workers.

**Seventh**, and finally, the South African example indicates the need for the constant struggle for the democratization of capitalism. This will not be uncontroversial. Many on the left will argue that democracy and capitalism are ultimately incompatible, while those on the right will respond that they are historically inseparable. What is *not* needed is that debate about this issue becomes little more than a dogmatic religious dispute between political extremes. What *is* needed is that, whilst we should not lose sight of our utopias, we engage with the very practical issues that are being posed by capitalist developments in the present period:

How much space is there for pursuit of SRI in weak economies within the rapidly globalizing world capitalist economy? How can the complex issue of improving corporate governance be rendered a more popularly accountable exercise? Can, and if so, how, can BEE be kept separate from the exercise of undue political influence by those in high party position? What are the progressive possibilities of, and opportunities, for greater shareholder activism? Such questions will inevitably take us beyond the narrower confines of the issue of BEE, yet ultimately they cannot be divorced from it.



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**COMMENTS ON “STRATEGIES TO PROMOTE  
BROAD-BASED ECONOMIC EMPOWERMENT IN NAMIBIA”**

**BY  
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**NEDBANK NAMIBIA**

**INTRODUCTION**

1. I would like to comment the author (Professor Roger Southall) for a well-research paper. It provides some interesting insights and lessons from South Africa’s experience with the implementation of the Black Economic Empowerment (BEE), which I am quite certain our policy-makers would draw upon in designing and implementing Namibia’s BEE.
2. It is quite a challenge to deliver a critique on it as it explores the nature of the BEE process and its tenets from the South African perspective. Also, it sets the tone for philosophical, political, and socio-economic argumentations.
3. I do agree with the author that Namibia will be facing the same challenge of defining and giving meaning to its intent of the BEE policy. In my opinion, the process needs a well-rounded approach, a pro-active multi-pronged approach [education, training, workforce development (very important aspects of overall BEE policy), gov’t tenders, social responsibility, SME policy and development, a national coordinated small business administration body, etc.] Transparency and fairness must be key points as well as sufficient oversight and absence of corruption and nepotism.
4. **However, I would like to make some general observations on the paper, and general issues pertinent to Black Economic Empowerment.**
  - 4.1 The paper could have been benefited from an in-depth assessment of BEE’s performance in South Africa in relation to its stated objectives. Simple performance indicators could have been used such as the number of black businesses established, shares of black SME’s in total private sector activity, their contribution to total output as well as their contribution to employment creation. When the BEE was enunciated, the government for example set a

target of 25 % ownership of the Johannesburg Stock Exchange. Has the target been met? My sense is that, although there has been a general increase in black ownership of the JSE, there is still a long way before the 25 % target is met. The use of performance indicators could have provided the reader with a clearer picture on the success and constraints of BEE in South Africa.

- 4.2 Finance is critical to the success of BEE. It could have been interesting to learn how BEE has been financed in South Africa, and the challenges that such financing may have posed for the South African economy. I suspect that this issue would assume even greater importance in the case of Namibia, given the shallow nature of the financial sector in Namibia. The financial sector in South Africa is highly sophisticated with well-developed capital and equity markets. Thus, financing BEE may not be a serious constraint for South Africa as it may be for relatively smaller economies such as Namibia. Given this constraint, the government may have to play an increasing role in financing Black Economic Empowerment related projects. This may force the government to run large budgetary deficits, which in turn would undermine macroeconomic stability. Government borrowing may also crowd-out private investment through its effect on interest rates.
- 4.3 Public debt has grown considerably since independence and this would likely increase in the future given the increasing financing requirement of large public sector investment. This in a sense reduces the room for large public financing of BEE. Increased public debt would affect the country's external position (Balance of Payment) with potential negative implications on exchange rate stability. These are real issues that need to be interrogated as we are articulating our own BEE. In this context it would be interesting to find out how South Africa has addressed the issues financing BEE. What are some of the innovative financing mechanisms for BEE and what are potential financial costs (direct and indirect)?
- 4.4 Black Economic Empowerment should not be seen as an end in itself but rather as a means towards an end, the end being establishing a more equitable society, creating decent employment opportunities and addressing the problem of persistent poverty and income distribution, which are in a way symptomatic of the asymmetries created by the ideology of apartheid. As the professor rightly pointed out, Namibia and South Africa have some of the highest levels of income inequality in the world, with Gini coefficient of around 60 per cent. Therefore, BEE should contribute to solving the twin problems of poverty and

income inequality. In this context, labour intensive sectors should be given special attention in the proposed Namibia's Transformational Economic and Social Empowerment Framework.

- 4.5 Professor Roger Southall argued comprehensively about the need to ensure that BEE benefits as many people as possible. It should not be an instrument for rewarding those who are closely linked to ruling parties and their cronies. This is indispensable for the credibility of the policy. Government procurement is a critical component of any empowerment scheme. If the procurement system is to complement government's efforts in redressing the imbalances in the ownership and control of the means of production, it must be transparent and credible- with a competitive bidding process. The current procurement system in Namibia leaves much to be desired. The current practice of giving large contracts in the construction sector to foreign companies at the expense of local companies reinforces than rather redresses the existing imbalances in the ownership of the means of production.
- 4.6 Lastly, another issue, which I believe is germane to the discussion on economic empowerment or transformation, which the professor did not address in his paper, is *entrepreneurship*. I believe it is a critical factor in successful economic transformation. This is particularly more important in Namibia given our limited experience and success with entrepreneurship. This problem is not only peculiar to Namibia but also Sub-Saharan Africa to a significant extent. We need to find out why the survival rate for black owned businesses is low as compared to White and Asian businesses. Is there perhaps something intrinsically different about the way we conduct business that contributes to the low survival rate. Or is it because we lack the *achievement motivation*? In his "The Achieving Society" David McClelland argues that in addition to one's capabilities and an enabling economic environment, the achievement motivation is an important psychological determinant of successful entrepreneurship. There is a need, therefore, to inculcate the culture of entrepreneurship among our people. We have to be innovative in this regard and figure how our educational and vocational training systems could be used to build the entrepreneurs of tomorrow. For example, I know the Namibian government gave some fishing quotas to black Namibians in the early 1990s. It would be interesting to find out how these entrepreneurs are faring. The anecdotal evidence is that many Black Namibians sold their quotas to white people.

- 4.7 Another issue that the professor should have examined is the treatment of foreign investors in BEE. Are they exempted from BEE or only the ownership target of the BEE? This issue could be a thorny one for Namibia since most of the companies operating in Namibia are subsidiaries of South African firms. If they are excluded from our BEE, then BEE will have a limited impact in altering ownership patterns of the economy. How should Namibia approach the treatment of foreign investor in our proposed BEE?

## **CONCLUSIONS AND ISSUES EMANATING FROM THE SYMPOSIUM**

### **RESEARCH DEPARTMENT**

### **BANK OF NAMIBIA**

#### **CONCLUSIONS**

It became evident from the Annual symposium 2007 of the Bank of Namibia that there is no common understanding of the concept of Broad-based Economic Empowerment (BBEE) in Namibia. However, it emerged that BBEE is defined as a policy that redress past imbalances by empowering the previously disadvantaged communities and does not discriminate based on colour or status. Broad-based economic empowerment is a process intended to facilitate the management of enterprises' productive assets, human resources and skills development. It is also intended to increase equity participation, encourage trust among partners and risk sharing. The symposium also underscores that BBEE should be about long-term sustainability of businesses.

Furthermore, the symposium concurred that Namibia should learn from other countries' experiences and adopt positive elements thereof; and also take advantage of its small population. Namibia needs to nurture new businesses and expand ownership by starting up new businesses through Broad-based Economic Empowerment. BBEE should also cater for different needs of communities and individuals of the previously disadvantaged and not just focus on ownership. The symposium concluded that the BBEE programme is an on going process and will not be resolved immediately, thus it has to undergo different processes of reviews and adjustments.

Namibia is in the process of developing its comprehensive empowerment framework commonly known as the "Transformational Economic and Social Empowerment Framework" (TESEF), which is spearheaded by the Office of the Prime Minister. TESEF is expected to be completed by April 2008. It is an outcome based framework and is aimed at building on the long – term success of enterprises. It is built on many pillars such as ownership and entrepreneurship development, equity participation, management control, employment equity, human and skills development, preferential procurement, support of SMEs, socio-economic development and corporate social investment and business mentorship. The Framework also aims at achievable measures such as who should be empowered, how they should be empowered, time horizons and measures to ensure that empowerment deals are not turned into self enrichment schemes.

## **Lessons that Namibia could learn**

The following is a summary of the lessons and strategies that the symposium suggested for Namibia in the development and implementation BBEE policy:

### ***The overall BBEE framework***

It is worthwhile noting that BBEE is a political project and therefore, there will always be divergent interpretations and understandings on what is meant by BBEE. Further, there will also be little prospect of reaching a universally acceptable definition either in its composition or intent. Therefore, Namibia should design its BBEE policy framework to reflect its peculiar circumstances.

### ***Setting clear benchmarks, targets, review and institutional frameworks***

It is imperative that Namibia's BBEE framework should set measurable targets which are timeline bound and developed through a consultative process with relevant industries. This process will ensure constant monitoring and reviewing of progress overtime to ensure that the intended objectives are being adhered to and achieved. If deemed necessary, revision and adjustment could be effected to targets and timelines through the implementation process. There is need to set up institutional frameworks for the oversight, review, analysis of impacts of the implementation process and develop the required capacity to oversee the implementation of the empowerment strategies.

There is a need for a consultative process between business associations, firms, government and labour unions to reach an understanding between sectoral and overall framework to avoid misunderstandings and misconceptions on BBEE. The general understanding should entail the scope of participation, benefits and communication channels.

### ***Education and awareness***

Beneficiaries' activism is very crucial, especially in the creation of awareness among the beneficiaries on how and where to access various empowerment benefits. To ensure that the beneficiaries would actively seek to access these benefits and also understand what these empowerment benefits entail. It is therefore encouraged that Namibia should pro-actively engage the beneficiaries during the implementation of its BBEE policy framework.



### ***On-going research and establishment of databases***

Namibia needs to develop capacity through continuous research and analysis of issues such as how growth dimensions impact on redistribution. Furthermore, there is a need to establish databases on the existing and potential BBEE empowerment partners and how various empowerment schemes would be financed.

### ***Namibia's comparative advantage of having a small population***

Namibia should utilise its comparative advantage of having a very small population, as there is a high potential of being able to reach out to all would-be BBEE beneficiaries for the empowerment targeted initiatives. Especially, as benefits deliveries are more visible when the number of beneficiaries is relatively small. Furthermore, being a small country with a small population means that general consensus on empowerment can be reached timely.

### ***Importance of growth***

In formulating strategies for the BBEE policy framework, Namibia should ensure that the formally disadvantaged groups can fully and effectively participate in the production process. This could be through employment, ownership, management and control of enterprises to ensure expansion of businesses and economic growth through collective efforts to better the life of all.

### ***Partyism linkages***

Countries undergoing rapid industrialization are not going to be classless but linkages to political party for personal enrichment should be closely monitored and be discouraged at all costs. Hence Black Economic Empowerment is only one aspect of economic policy; BBEE should rather strive for the improvement of social justice and equity for all.

### ***Education, training and opportunities***

The pre-condition for the successful empowerment in the labour market is by way of raising levels of general literacy, basic skills and specialised skills both at secondary and tertiary levels such as entrepreneurial development. Namibia should uplift the educational standards of the formally disadvantaged Namibians through various bursary and scholarship programmes. This would ensure improvement on the quality of labour supply. Additionally, putting more emphasis on skills and

entrepreneurship development will enhance the creation of more opportunities for the previously disadvantaged Namibians. Furthermore, supporting and encouraging the identification of many green field projects and ventures that need be nourished and grown to create more new opportunities for the previously disadvantaged Namibians is highly plausible.

